

TRADE MARKS ACT 1994

IN THE MATTER OF Application for Rectification N^o 10282 of Trade Mark N^o 1085099 by Bendy Toys Limited.

1. The application was made on 25th August 1998 by Bendy Toys Limited (BTL), Ashford Road, Ashford, Middlesex TW15 1XH. The mark at issue is BENDY, registered for Toys made wholly or principally of natural or synthetic rubber or of like elastomers' in Class 28. It is currently in the ownership of Bendy (International) Limited Tropic Isle Building, P O Box 438, Roadtown, Tortola, British Virgin Islands. (For the purposes of this decision, I have called the Registered Proprietors BIL).
2. The applicants' case is best explained by this extract from their Statement of Grounds:

'Trade Mark Registration No. 1,085,099 ... was applied for on 15th October 1977 by Newfeld Limited and proceeded to registration in the name of that company. On 12th December 1990 Newfeld Limited assigned to Bendy Toys Limited several trade mark rights, both in the United Kingdom and overseas, and including said Trade Mark. The assignment was recorded at the Registry in 1992 so that Bendy Toys Limited thereafter appeared as the recorded proprietor. However, the assignment was executed only after the agreement of Bendy Toys Limited to the effect that Bendy Toys Limited were to be bare trustees for Newfeld Limited.

Bendy Toys Limited was dissolved under section 652 of the Companies Act 1985 and all property and rights vested in or held on trust for Bendy Toys Limited immediately before its dissolution became the property of and vested in the Crown. Property held by the Company on trust did not become the property of the Crown.

The Treasury Solicitor completed an assignment of said Trade Mark (along with Registration No. 751795) to Bendy (International) Limited of Tortola, British Virgin Islands and the assignment was recorded at the Registry in January 1998. The assignment expressly excluded any property which was held by Bendy Toys Limited on trust for any other person - the third recital of the assignment.

Bendy Toys Limited has been restored to the record and is now able to show that the marks assigned to it by Newfeld Limited, including said Trade Mark, were beyond question held by it as bare trustees for Newfeld Limited. Consequently, those marks fell within the exception of the third recital of the assignment executed by the Treasury Solicitor and consequently the alleged assignment of said Trade Mark to Bendy (International) Limited is and always has been wholly nugatory.

Had the Treasury Solicitor been aware that said Trade Mark was held by Bendy Toys Limited as bare trustees of Newfeld Limited, the Treasury Solicitor could not - and would not - have assigned the mark. It is notable that the Treasury Solicitor was aware this situation might have prevailed and expressly excluded property held on trust from the assignment document.

Had the Registrar been aware that the alleged assignment of said Trade Mark was in fact nugatory, the Registrar would not have recorded Bendy (International) Limited as proprietor of said Trade Mark. It is therefore requested that the register now be rectified by restoring Bendy Toys Limited as proprietor of said Trade Mark.'

3. The third recital from the assignment made between the Solicitor for the Affairs of Her Majesty's Treasury and BIL states:

'AND WHEREAS by virtue of Section 654 of the Companies Act 1985 on the dissolution of a Company all property and rights whatsoever vested in or held on trust for the Company immediately before its dissolution (*not including property held by the Company on trust for any other person*) became the Property of and vested in the Crown'. (Emphasis mine).

4. The Registered Proprietors deny the existence of the trust, and thus the basis of the action. Both parties ask for their costs. I heard the matter on 20th April 2001 where the applicants were represented by Mr Fernando of Counsel, instructed by Sanderson & Co. BIL did not attend.

History

5. Mr Charles Walter Neufeld (CWN), in his first Statutory Declaration (dated 13th May 1999), says that shortly after the War he invented a new process for the manufacture of toys using foam rubber. He then set up Newfeld Limited in 1951 to market his invention, under the name 'Bendy toys', later first registering the mark BENDY in 1956. The product was apparently very successful, becoming '...a household name not just in the United Kingdom, but in many other countries as well.' Licences for manufacture of the toys were granted worldwide, though there was also a strong manufacturing base in the UK as well. CWN states that the latter was relocated to Malaysia in 1986 (chosen in view of the ready supply of high quality latex and a need to reduce labour costs following the influx of cheap toys from the far east).
6. At this time, Bendy Toys Limited (BTL) - a business described as 'one of the "Newfeld" Group of Companies - was charged with the marketing of the Bendy Toys business. This was 51% owned by Newfeld Limited, and 49% owned by Anthony Carl Neufeld (ACN), CWN's son. The success of the product was undiminished. However, in 1989 a major product recall in the US led to the bankruptcy of the US distributor. CWN states that, *inter alia*, he

'.. recognised that all of the intellectual property I had spent a lifetime building could be at risk - something I was not prepared to tolerate. It was for that reason that I thought Newfeld should consider protecting its intellectual property by creating a trust. I had always hoped that the Newfeld business would pass from one generation to another in my family, and I was aware a trust could help to achieve that'.

7. CWN wrote to ACN on 14th November 1990, in the following terms (Exhibit CWN 1):

'Dear Antony,

I refer to the Bendy Trade Mark Assignment I am about to execute in favour of Bendy Toys Limited.

The Company may use the Trade Marks for the benefit of the business. You may also enter into Third Party, Trade Mark User Agreements,

This Assignment will be made on the clear understanding that the Trade Marks “Bendy” are to be held on bear trust by Bendy Toys Ltd for the benefit of my Estate.

At no time must they be sold or disposed of in any other way.

I require your written confirmation of your understanding of the foregoing before the Assignment is executed.’

The following response was received on 20th November 1990 (Exhibit CWN 2):

‘Dear Father,

Undertaking regarding Trade Marks “Bendy”

Further to your letter of 14th November 1990 I confirm my understanding that the Trade Marks Assignment is being made by you to Bendy Toys Ltd in order for the company to use the Marks in its business.

I understand that at no time will these Marks be sold or disposed of and that Bendy Toys Ltd holds those Marks on bear trust for ultimate benefit of your estate’.

8. A further letter was sent from CWN on 21st November 1990 (Exhibit CWN 3):

‘Dear Antony,

Bendy Trade Marks

I refer to the Bendy Trade Mark Assignment I am about to execute in favour of Bendy Toys Limited.

The Company may use the Trade Marks for the benefit of your business. You may also enter into Third Party Trade Mark User Agreements.

However, this Assignment is made on the clear understanding that the Trade Marks “Bendy” and all intellectual property rights are assigned to you and are to be held by Bendy Toys Ltd as bare trustees for Newfeld Ltd.

At no time must they be sold or disposed of in any way and you are to execute a re-assignment to this company of the marks whenever called upon to do so by us, at which time we will repay £8,000 less £1,000 for each completed year from the date of the Assignment.

I require your written confirmation of your understanding and acceptance of the foregoing before the Assignment is executed’.

No such written confirmation is included in evidence. A copy of the assignment, dated 12th December 1990, from Newfeld to BTL is included in Exhibit CWN 4. It states, *inter alia*:

‘..WHEREAS Newfeld has agreed with Bendy for the sale to Bendy of ... intellectual property rights including ... Trade Marks without goodwill for the monetary consideration hereinafter appearing

WITNESSETH that in consideration of payment of the sum of £8000-00 (receipt of which is hereby acknowledged) Newfeld HEREBY ASSIGNS unto Bendy all right title and interest in and to said intellectual property rights and all rights powers liberties and immunities conferred on the proprietor by said intellectual property rights free from all encumbrances and including the right to sue for damages and other remedies in respect of any infringement of those said intellectual property rights but not including goodwill in the business of said Trade Marks TO HOLD the same unto Bendy ABSOLUTELY and Newfeld hereby agrees to do all such acts and things as may be necessary or expedient to secure unto Bendy all the benefits hereby transferred unto Bendy’.

In Schedule 1 to this document the mark BENDY, registration N^o. 1085099, is listed amongst other trade marks, as part of the assignment.

9. The applicants’ history of events is then best continued by ACN, in his first declaration dated 13th May 1999. ACN confirms CWN’s description of the creation of the trust as described above. He adds, that in 1985 he set up a company called Ovation Limited with the purpose of supplying toys and gifts to the gift trade. This firm is mentioned because, though incidental to the matter at hand, its existence is relevant to the trust arrangement described above. Apparently, Ovation Limited suffered a trading loss in 1992 of some £350,000. CWN states:

‘In view of the financial support that Newfeld had to give to Ovation to ensure the continued existence of that company, on 18th February 1993 Newfeld distrained all Ovation assets. Ovation’s bankers then asked for an inter-company guarantee, between Ovation and Bendy Toys Limited. The bankers also asked for a mortgage debenture to be given by Bendy Toys Limited. Having regard to the fact that the Trade Marks being used by Bendy Toys Limited were in fact held on trust by Bendy Toys Limited for the benefit of Newfeld Limited, by telephone in December 1992 I advised Mr Edward Boaden, the then Manager of the National Westminster Bank branch in Sunbury-on-Thames, of the trust arrangement, since those rights could not be used to support the mortgage debenture.’

10. The bank then issued a letter of release concerning those assets (Exhibited at ACN 1), dated 5th January 1993 which states:

‘TO: BENDY TOYS LIMITED

PROPERTY: Trade Marks - Bendy Parents - Bendikins
US Patents - Felt Bendy

We NATIONAL WESTMINSTER BANK PLC write to confirm that the above mentioned property has been freed and released from the equitable charge created by the Mortgage Debenture given by you to us on 8 January 1993’.

11. ACN explains that Ovation changed its name to Bendy International Limited in 1994 and, with the demand for its products growing steadily, he needed to find a joint venture partner based abroad, and believed one could be found in India. Via his solicitors in the UK ACN was put into contact with Mr Ajay Bahl and Mr Atul Punj. Eventually a joint venture agreement was signed on 16th December 1994, and Bendy India Private Limited was set up. ACN refers to 'Non-Objection Certificate', signed Messrs. Bahl and Punj before the agreement was entered into (see Exhibit ANC2). This provides for an '...express understanding that should the joint venture with Mr Neufeld not proceed, neither you nor any of your associates, which shall include companies incorporated by either or both of you shall use such names'. However, the 'names' referred to appear to be the company names of 'Bendy India Limited', 'Bendy Toys Limited' and 'Bendy Enterprises Limited', and not trade marks as such.

12. More significantly, ACN informed his Indian partners (Exhibit ACN 3) of the existence of the trust by a fax (dated 26th July 1995) which, amongst divers business news, contained the following paragraph:

'I have been asked by my father to advise you of the position regarding the ownership of the Trade Marks - Bendy. While Bendy India is entitled to use the Mark on the terms of the User Agreement these Marks are held by Bendy Toys Ltd. on a bare trust undertaking for Newfeld Ltd.'

13. ANC says that Bendy India Private Limited were late in starting manufacture, and the product then produce was of 'lamentable' quality. He states:

'Though Bendy International Limited had substantial orders and good prospects, consequent upon the failures of the Indian company to provide satisfactory products, Bendy International Limited had no cash flow. As a result, in April 1997 Bendy International Limited was forced into liquidation....'

14. Returning to CWN's declaration, he continues:

'BTL failed to file its annual return within the required period and was struck from the register from the Registrar under Section 652 of The Companies Act 1985 on 8th April 1997. I understand from my legal advisors that property owned by BTL at the date of its dissolution that was impressed with a trust did not pass to the Crown. In January 1998, the Treasury Solicitor purported to sell the marks the subject of the present proceedings and a parallel registration of BENDY in the United Kingdom, to Bendy (International) Limited. ... I note that excluded from the Treasury Solicitor's assignment to Bendy (International) Limited was any property which BTL held on trust for any other'.

Which is where the current action began.

15. It is clear from ANC's records of other events, both from his first Declaration and from that in reply to the Registered Proprietors' evidence (dated 15th May 2000), that there are a number of legal disputes following the 'fall-out' from the failure of the joint venture with Bendy India Private Limited. I have not recorded the detail of these as I do not believe they help me one way or another with respect to the key matter in this case: the existence of the trust. It also appears to be the case that Messrs. Bahl and Punj, with the applicants' former legal representatives, are behind the formation of BIL. Again, I do not believe that this affects the matter at hand.

16. Turning, now, to the evidence of the Registered Proprietors (BIL) this is found in two Statutory Declarations, which are substantially the same and sworn the same day (4th November 1999) by their legal representative, Mr Praveen Kumar. Neither provides an alternative history to that given by the BTL above. However, the events as described are not admitted, the existence of the trust is denied and certain matters of law are raised. I examine in detail these issues below.

The Decision

17. The first with which I must deal is a fundamental matter of jurisdiction, which Mr Kumar describes in the following way:

‘The Applicant has not disclosed any error or omission in the register necessitating rectification or correction of the register. In law a rectification action can, at best, apply to basic errors which are apparent from the records. Any matter which requires arguments, interpretation of law and leading of evidence cannot be an error’ or ‘omission’ in the register. Thus, there being no error or omission in the register which require rectification, the Application for Rectification ... cannot be entertained, and as such are liable to be rejected. the issues raised in this proceedings involve substantive questions of law and disputed questions of facts with regard to the true ownership of the subject Trademark, which by their very nature cannot and ought not to be the subject matter of rectification proceedings, as such, any adjudication of the issue would be bereft of jurisdiction’.

18. I discussed this matter at some length in the hearing, with the applicants’ Counsel, Mr Fernando. S. 64 states:

‘(1) Any person having a sufficient interest may apply for the rectification of an error or omission in the register:

Provided that an application for rectification may not be made in respect of a matter affecting the validity of the registration of a trade mark.

(2) An application for rectification may be made either to the registrar or to the court, except that -

(a) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court; and

(b) if in any other case the application is made to the registrar, he may at any stage of the proceedings refer the application to the court.

(3) Except where the registrar or the court directs otherwise, the effect of rectification of the register is that the error or omission in question shall be deemed never to have been made.

(4) The registrar may, on request made in the prescribed manner by the proprietor of a registered trade mark, or a licensee, enter any change in his name or address as recorded in the register.

(5) The registrar may remove from the register matter appearing to him to have ceased to have effect’.

19. It has been thought, by some commentators, that this section has the limited application placed on it by Mr Kurmar. For example, in *Trade Marks Act 1994* by Kitchin and Mellor (Sweet & Maxwell 1995), at page 115:

‘This section is concerned with certain clerical matters relating to the register. First, rectification of an error or omission on the register. Second, changes of name and address. Third, the removal of matter which appears to be out of date.’

And on the same page:

‘Under the 1994 Act, rectification is concerned with the correction of errors or omissions which are essentially clerical in nature’.

20. It is not clear from the text that this is the correct approach. Specific examples are given in ss. 64(4) and 64(5) as to the nature of rectifications that might be made: while the latter appears to fall within that indicated by Kitchin and Mellor, the former appears to imply a wider jurisdiction, in exercise of the Registrar’s discretion. Mr Fernando was of the view that the jurisdiction cannot be limited to the ‘...correction of errors or omissions which are essentially clerical in nature’ as, if this was the case, the Act contained no mechanism for allowing for the amendment of more fundamental mistakes. S. 46 (revocation) was concerned with non-use of a mark disentitling an owner or with use that renders a mark inherently incapable of continuing as an indicator of origin. S. 47 (invalidity) deals with defective registration. Neither of those situations apply here. So what recourse is there if the Register contains a significant error that does not fall within these sections? Mr Fernando used the example of fraudulent registration of a proprietor. Of course, any initial such registration would be covered by s. 47 in conjunction with s. 3(6); and see, also, s. 94. Perhaps assignment of a mark in error is a better example.
21. I think there is force in this submission. And the best example is that represented by the applicants’ case, should it be proved. If s. 64 does not allow for redress, there is none elsewhere. Further, I note that s. 60, which is concerned with registration of a mark by an agent or representative acting on behalf of a proprietor of a mark in a country which is party to the Paris Convention. This section states that, where the proprietor successfully opposes the registration, he:

‘(2) may:

(a) ... ,

(b) apply for the rectification of the register so as to substitute his name as the proprietor of the registered trade mark’.

‘Rectification’ within the Act, is thus more than simple correction of a clerical error. I also note that this view of the width of s. 64 was implicitly supported in the recent *FSS Trade Mark* case (SIRIS O/314/99):

‘The Act and Rules make no provision for an opposition to the recordal of an assignment. If a party wishes to challenge such a transaction the proper mechanism would appear to me to be for them to file an application for rectification of the Register under s. 64 of the Act’.

22. Finally, s. 64(2)(b) allows the Registrar discretion to refer an application to the court, which suggests rectification may be concerned with matters of weight and difficulty. This, again, is inconsistent with a narrow interpretation of the scope of this section.
23. Having found that there is jurisdiction under the Act, I need to consider whether a trust has been created in this case. This requires a brief safari around trust law.
24. A trust is created *inter vivos* by an absolute owner over his property when he either declares himself trustee of it or transfers the legal title to another person who has agreed that they will hold it on trust for the intended beneficiaries. The latter enjoys the beneficial ownership in the trust property, but the legal ownership is held by the trustee. The effect of a trust is to alter fundamentally the ownership of the property subject to it: it divides the ownership up. To give a facile example, if A gives his car to B then A ceases to be its owner and B owns the car. However if A declares a trust of the car for B he retains the legal ownership but B becomes the beneficial owner of the car. A can still deal with the car as if it were his own, but if he does so, for example by giving it to C, he will be guilty of a breach of trust, and B maybe entitled to assert his equitable right to the car against C.
25. Trusts are very useful devices and have a number of purposes. Settling property within a family so that it may benefit persons in succession is one, and the reasoning given by CWN for the formation of the claimed trust in paragraph 5 is very much in keeping with this objective. However, ‘intention’ is not enough by itself, and the courts have considered a large number of differing situations which have characterised the conditions leading to the generation of a trust. Mr Fernando argued that the facts of this matter provided a clear indication of the creation of either an express or constructive trust.
26. I was first referred to the requirements for the creation of a trust, the presence of what is known as the ‘three certainties’. These are defined by Lord Langdale in *Knight v Knight* (1840) 3 Beav 148:

‘As a general rule to create a trust: First,the words are so used, that upon the whole, they ought to be construed as imperative; secondly, the subject of the...wish be certain; and, thirdly, the objects or persons intended to have the benefit of the recommendation or wish be also certain.’

These have been described as the certainty of intention, the certainty of subject matter and the certainty of objects.

27. In terms of the certainty of intention, the settlor must have shown a clear intention to create a trust. In fact, it is not necessary to use the word ‘trust’ as such as long as the intention to create one exists (*Paul v Constance* [1977] 1 WLR 527). Equally, the use of the word ‘trust’ by itself is not enough, without the characteristics here described, to establish one. There seems to be little doubt, on the evidence, that creation of a trust was intended by CWN. This is clear from the exchange of letters I refer to above.

28. Certainty of subject matter is also required. This is necessary both in respect of the total subject matter of the trust, and the beneficial interest. See, for example *Palmer v Simmonds* (1854) 2 Drew 221, where court decided that there was no certainty of subject matter and therefore no trust was created. Here, in his first letter dated 14th November 1990, CWN states: 'I refer to the Bendy Trade Mark Assignment I am about to execute in favour of Bendy Toys Limited'. This assignment followed in December of that year (see paragraph 8 above) and the Schedule attached to it contains a listing of the trade marks at issue, including BENDY. As to certainty in relation to the beneficial interest: 'In this situation, there will be a resulting trust in favour of the settlor or testator's estate' (*IOLIS, Trusts and Powers*, Craig Chang). In a resulting trust, the property has been conveyed to a party, but it results back to the transferor, for various reasons, the above being one.
29. Finally, certainty of objects means that the beneficiary must be ascertained or ascertainable. This is an issue I return to below.
30. In terms of a constructive trust, Mr Fernando referred me to the case of *Bannister v Bannister* [1948] 2 All ER 133. Here, a widow sold two cottages, significantly below market value, to her brother-in-law following his oral undertaking that she could live in one of them rent free for as long as she desired. This was not part of the formal conveyance. Later, the brother-in-law sought to recover possession, arguing that the widow was a tenant at will, and that she had been given notice to quit. The Court of Appeal found that a constructive trust existed, with the brother-in-law as trustee, holding the property on trust for his mother-in-law, whose beneficial interest constituted occupancy of the property for as long as she desired to do so. In coming to this conclusion, I particularly note the following passage, at page 136:
- 'It is, we think, clearly a mistake to suppose that the equitable principle on which a constructive trust is raised against a person who insists on the absolute character of a conveyance to himself for the purpose of defeating a beneficial interest, which, according to the true bargain, was to belong to another, is confined to cases in which the conveyance itself was fraudulently obtained. The fraud which brings the principle into play arises as soon as the absolute character of the conveyance is set up for the purpose of defeating the beneficial interest Nor is it, in our opinion, necessary that the bargain on which the absolute conveyance is made should include any express stipulation that the grantee is in so many words to hold as trustee. It is enough that the bargain should have included a stipulation under which some sufficiently defined beneficial interest in the property was to be taken by another. [T]he learned county court judge's conclusion ... that there was no fraud in the case cannot be taken as meaning that it was not fraudulent in the plaintiff to insist on the absolute character of the conveyance for the purpose of defeating the beneficial interest which he had agreed the defendant should retain. The conclusion that the plaintiff was fraudulent, in this sense, necessarily follows from the facts found, and, as indicated above, the fact that he may have been innocent of any fraudulent intent in taking the conveyance in absolute form is for this purpose immaterial'.
31. Mr Fernando stated:
- 'It .. [is] .. simply a question of, would it be in the circumstances, and in view of what has passed between the parties, unconscionable for the person receiving the property absolutely to assert absolute ownership of that property, or is the person who receives that property bound in equity to hold that property for the benefit of the conveyor, the settlor of the

property? The way in which the property is to be held is to be determined obviously by the previous agreement, so it is not just generally there is a trust, it is whatever the earlier terms are, and here in *Bannister v. Bannister* it was a trust for life. - In the present case it would be a slightly different trust arrangement when we analyse the letters that were written.'

32. It appears from the case law that the circumstances in which constructive trusts can arise are many and varied. Trusts, in general, are flexible devices which are regarded as one of the more important creations of that branch of law called 'equity', which can be regarded as fairness or natural justice, but refers historically to the body of rules formulated and administered by the Court of Chancery to supplement the rules and procedure of the common law. Now, of course, the rules of equity are administered alongside the common law rules in all courts, and are used to temper the perceived harshness of the latter when it is right to do so. Constructive trusts are found as equitable solutions to injustice of the type clearly indicated in *Bannister v. Bannister*. They are imposed by the courts as a matter of law, but depend on the principles of equity and conscience and are imposed regardless of the settlor's intention, as in *Bannister v Bannister*.
33. Mr Fernando also referred me to another case, *Rowe v Prance* [1999] 2 FLR 787, where Mrs Rowe claimed a half-share in the proceeds of sale boat on the footing either that Mr Prance had expressly constituted himself as trustee of the boat for himself and her, or that a constructive trust had arisen. The former was found, but it was also possible that a constructive trust existed as well: a representation was made, and equity could hold the representor (Mr Prance) to his representation. The principle is clear: the representor has either obtained the trust property on the strength of the representation, or at any rate obtained it on terms different from those upon which he or she would have obtained it had the representation not been made.
34. I note the following from *Trusts* by Paul Todd and Sarah Lowrie (Blackstone Press Limited, 5th Ed. 2000), at page 254:

'Though proof of fraud is not necessary, unconscionable conduct is required: the claimant in *Bannister v Bannister* may well have believed the representations he made, at the time when they were made, but later he changed his mind. He was certainly not guilty of fraud in a common law sense, but as far as equity was concerned, it was sufficient that he had induced the defendant to rely upon his representations, that she had relied on them, and that it was unconscionable for him therefore to renege on his promises. ... equity holds people to the representations they have made, when it would be unconscionable for them to renege.'

This echoes the finding of Scott LJ in *Bannister v Bannister*, quoted above. Further, in *Trusts*, at page 257:

'There is now a clear line of authority that where somebody obtains legal title to property by agreeing to take it expressly subject to the rights of another party, equity will require him to hold the property as constructive trustee, to give effect to the rights of the other party ... equity holds the representor to his or her representation, where it would be unconscionable to allow the representor to renege. The unconscionable element can be reliance upon a statute the purpose of which was to prevent fraud; it can also be the use of the representation to obtain property'.

35. Thus, in summary, constructive trusts arise because the conscience of the defendant is affected. Mr Fernando stated that the facts of *Bannister v Bannister* were on ‘all fours’ with those in this case. But they are not. There was no misrepresentation by ACN on behalf of BTL to CWN, on behalf of Newfeld Limited. There is, for example, no evidence to suggest that the trustee in this case (BTL) sought to deny the rights of the beneficiary (Newfeld Limited), and none that suggests unconscionable conduct by the trustee. In view of this, I do not believe I can find a constructive trust under the circumstances described, and I do not feel myself in any position to be able to extend the equitable principles in finding that a constructive trust had been created. In *Ashburn Anstalt v Arnold* [1989] Ch 1 the Court of Appeal stressed that the ‘court will not impose a constructive trust unless it is satisfied that the conscience of the estate owner is affected.’ And I would surmise that this applies in so far as it relates to the creation of the trust. The applicants’ evidence determines to show that BIL have acted inappropriately in coming to be registered as proprietors of the mark. Even if accept this is the case, it has no bearing on the trust issue, because BIL were not parties to it.
36. However, this is not the end of the matter, as there is still the contention that an express trust - one discoverable by word or act - exists. This consideration is one best examined side by side with the various comments made by Mr Kumar, because he raises a number of objections to the existence of the trust arrangement. I have sourced these objections from both of his declarations.
37. Mr Kumar’s points out the following:
- C CWN in the first letter of 14th November 1990: ‘..the Trade Marks “Bendy” are to be held on bear trust by Bendy Toys Ltd for the benefit of my Estate.’
 - C ACN confirms his understanding of this in his response of 20th November 1990.
 - C However, CWN then writes (21st November 1990): ‘ the Trade Marks “Bendy” and all intellectual property rights are assigned to you and are to be held by Bendy Toys Ltd as bare trustees for Newfeld Ltd’.

He comments:

‘..these letters confirmed the trust arrangement in favour of Newfeld is factually incorrect and cannot be relied upon. In fact, the first and only letter, for alleged trust arrangement in favour of Newfeld Ltd was their alleged letter of 21st November 1990 which had specific terms and which required written confirmation of its terms before execution of the Assignment. No such confirmation has been filed either by A[C]N or CWN, obviously since no such confirmation exists and, consequently, CWN’s statement to this effect is factually incorrect. In light of the above, Exhibits CWN1, CWN2 and CWN3 are clearly contrary to the meaning sought to be given to it in the statutory declaration’.

There is a wider point here, which Mr Kumar has (inadvertently) stumbled onto, that of the certainty of object I mention at paragraph 29 above: that is, is the beneficiary sufficiently clearly defined?

I asked Mr Fernando about this at the hearing. He referred to the misspelling of ‘bare’ (as in ‘bear’ in the 14th November letter), and to the phrase ‘for the benefit of my Estate’. He said ‘..

the marks are actually owned by Newfeld Limited..' and pointed out that this '.. emphasises the family nature of these transactions, because it is stated in the evidence in paragraph 1 that Newfeld Limited is 80 per cent shareholder, so Newfeld really is Mr. Neufeld, so there is nothing inconsistent with what is being said...'

38. I do not think the facts here force me to the rather severe conclusion suggested by Mr Kumar. There is no contradiction between the letters. Rather the later one clarifies the earlier. Newfeld Limited is part of CWN's estate. The beneficiary is clearly defined. CWN confirms that confirmation was received, and I see no reason why the lack of material evidence in terms of a letter from ACN should contradict this. Taking the material correspondence as a whole, the clear intention of CWN was to create a of trust on behalf of his estate, of which Newfeld was a part. Anyhow, if there is doubt as to the beneficiary, this does not invalidate the creation of the trust as it would if one of the other two 'certainties' was absent. In this instance a resulting trust may arise, where the conveyed property results back to the transferor. Mr Fernando explained that a trust could be created:

'..because you had the first two certainties, but it could result back to the person conveying the property because you did not have certainty of intended beneficiary; but if that is the case, then it results back to Newfeld anyway because Newfeld owned the property, tried to give it away but did not succeed and gets it back on the resulting trust..'

39. Mr Kumar next objection was unexplained: he said that if the letter of 21st November 1990 had been acted upon, the assignment would have read differently. There was no clarification to this comment, and I have thus ignored it. However, he went on to list a number of points:

'(a) BTL would have only been the legal owner of the Trademarks and not their beneficial owner,

(b) BTL could not have sold or assigned the Trademarks, and,

(c) Newfeld would have had the right to seek a reassignment of the Trademarks from BTL, at its option, at a consideration of £ 8,000 less £ 1,000 for each year that lapsed from the date of the Assignment to the date that the call option was exercised.

(d) It would also be a moot point as to how incomes, if any, from use of the Mark would have to be shared since, in normal trust arrangements, the Trustee holds the property as its legal owner with all benefits to go to the beneficiary. While the Trustee can recover some costs and, possibly fee, for administering the trust property, it is unusual to have a trust arrangement where no arrangements as to how income from the trust property is to ensure to the benefit of the beneficiary are made. The alleged trust arrangements are, thus, incorrect, incomplete and devoid of any legal force'.

Points (a) (b) and (c) were not disputed. As for (d), it may be 'usual' and 'normal' for an express trust to be conduction in a different manner. How this leads to the extreme conclusion that the alleged trust arrangements are, thus, incorrect, incomplete and devoid of any legal force escapes me.

40. Mr Kumar was of the view that there exists significant intrinsic and extrinsic evidence which demonstrates, beyond reasonable doubt, that the letter of 21st November 1990 was neither given effect to nor acted upon by BTL, ACN or CWN. He refers to the following.

41. First, a User Agreement between BTL and Bendy India Private Ltd dated 13th March 1995, which was executed by ACN on behalf of BTL (Exhibit B1). In the recitals BTL is defined as 'The Proprietor', and the following statement, *inter alia*, is made:

'(A) The Proprietor is the beneficial owner of Registered Trademarks particulars of which are set out in the Schedule

(B) The recorded registrant or applicant of each of the Trade Marks is noted in the Schedule and where the recorded registrant or applicant is not the recorded proprietor The Proprietor warrants that the recorded registrant or applicant has transferred beneficial ownership to The Proprietor and will record them as and when requested to do so by The User.'

The User is Bendy India Private Ltd. Mr Kumar comments:

'It is, thus, emphasized that where the Schedule reflects a registered owner different from BTL, such registered owner has transferred beneficial ownership of the Trademarks to 'Bendy' Trademarks in dispute thereby making its representation as being both of legal and beneficial ownership. There are other Trademarks shown to be registered in the name of Newfeld in the Schedule. In respect of these BTL has represented that beneficial ownership has been transferred to it. Most of these Trademarks are those assigned under the assignment deed of December 1990. These representations by BTL in a written document executed 4½ years after the alleged trust arrangement of 1990 clearly negate the allegations of beneficial ownership of Newfeld in the Trademarks and, instead confirm the effect of the Assignment which made BTL the absolute owner of the Trademarks encompassing both legal and beneficial ownership.'

42. I do not think this helps the Registered Proprietors for a number of reasons. First, in my view as trustee and legal owner of the marks, BTL was able to use the marks as it wished, within the terms of the express agreement. Second, the User Agreement reflected the relationship between BTL and Bendy India Private Limited, not that between Newfeld Limited and BTL. The extract from the Agreement emphasizes that Bendy India Private Limited were to have no rights in the marks at all - neither in law or in equity. Use of the word 'beneficial' could have been included to impress this. It does not follow that this statement negates the trust arrangement between Newfeld and BTL. Thirdly, I raised this point with Mr Fernando at the hearing. He stated:

'.. that sort of argument does not defeat the equity, for this reason. In every case where a trustee appropriates trust property the trustee is representing that he is the beneficial owner of the property. The fact that you represent you are beneficial owner does not mean that the beneficiary under the trust has no rights..'

In other words, whatever words were used in the User Agreement could not disturb the existence of the trust with Newfeld. Finally - and, I think, key - I was also referred to Exhibit ACN 3, which contains the fax (sent after User Agreement on 26th July 1995) informing Mr Punj and Mr Bahl of the existence of the trust. This letter was '..the last document in time, so the last salvo ... makes quite clear that the marks are held on a bare trust for Newfeld Limited'.

43. Next, Mr Kumar also referred to other proceedings, where Newfeld Limited and ACN were opposing (N^o. 48744) the application by BIL to register a 'Bendy' mark N^o. 2157304 in the UK (the Statement of Grounds is enclosed at Exhibit B2). Mr Kumar found it significant that:

'In the grounds for opposition, Newfeld and AN of their own volition drew attention to the sale of the "Bendy" Trademarks by the Treasury Solicitor to BIL. Interestingly, no mention whatsoever was made to the trust arrangement and, instead common law rights were claimed by Newfeld and AN to the word "Bendy" as a justification for opposing registration of the Mark. It is unusual that at the time of filing the opposition, which was only two months prior to the filing of the rectification on account of trust (filed on 25.8.98), Newfeld, the alleged beneficial owner, should not have, in the first instance, made reference to its beneficial ownership of the Trademarks as being the basis for use of the name rather than the common law rights particularly when it was not even called upon in that opposition to deal with the "Bendy" Mark.'

I am not sure what Mr Kumar is intending to imply by this. If he is suggesting that the trust arrangement is a fabrication, simply because it is not explicitly mentioned in the pleadings to that opposition, this is pure supposition. In his Declaration dated 15th May 2000, ACN provides an explanation:

'The blatant attempt by Bendy (International) Limited, BVI, to register the BENDY logo in the stylised script developed by Newfeld Limited was a basic copyright infringement. Accordingly Sanderson & Co. were instructed to oppose it under common law, without delay. At the time of that Opposition we were taking legal advice regarding the Treasury Solicitor and the purported sale of the Trade Marks'.

44. Mr Kumar also refers the Company Court Order, made restoring BTL to the Register of Companies. He says:

'If the alleged letter of 21st November 1990 has been acted upon, BTL could not have assigned any of the Trademarks covered by the Assignment to AN as it was prohibited to do by the said letter. Nonetheless, while AN informed the Company Court at the time of restoration of BTL that they would license the Trademarks to another company for royalties after restoration of BTL, the Trademarks apparently were assigned to AN personally. Thus, the affidavit to the Company Court, its order and the mandate of the letter of 21st November 1990 were violated'.

Neither the affidavit or Order referred to were included in evidence by Mr Kumar. As one was available at the hearing, and I wanted to judge for myself the significance of the point being made, I allowed a copy of the Order into the proceedings. The order is N^o. 1273 of 1998, and refers to the assignment of '...the trade marks as referred to in paragraph 11 of the Affidavit of Antony Charles Neufeld sworn on the 5th March 1998.' Without the affidavit it is somewhat difficult to know what is being referred too. There is no information on the marks concerned, or what was actually intended for them, though Mr Kumar refers to licensing, which does not appear to me to be inimical to the conditions of the trust. But I do not see how the Court Order has been 'violated'. It may be that the assignment to ACN violates the conditions of the trust as that requires 'at no time must they [the trade marks] be sold or disposed of in any way..'. But that is another matter.

45. In the next comment, Mr Kumar again refers to the opposition N^o. 48744 undertaken by Newfeld and ACN, and to paragraphs 4 and 5 of the Statement of Grounds:

‘Over the period when BTL was no longer in existence, the official solicitor sold to the applicants two registrations of the mark BENDY ...

BTL has now been restored to the records and all of the remaining trade mark rights have been assigned, together with all goodwill attaching to the marks, either directly or indirectly to ACN ... ACN is therefore the beneficial owner of numerous trade mark registrations of BENDY and of all goodwill attaching to those marks and the business of those marks.’

Commenting on these paragraphs, Mr Kumar stated:

‘.. if BTL was not itself the beneficial owner of the Trademarks, as would be the case if a trust was in effect, how could it have transferred “beneficial” ownership to ACN as is stated in the opposition as late as on 30th June 1998. It is also very important to note that in paragraphs 8 and 9 of this statement, the acquisition of the Trademarks was impugned on all kinds of grounds without even a mention of the alleged trust arrangements. These contemporary actions of BTL, Newfeld and AN clearly negate the very purpose that CWN had expected to achieve by creating the alleged trust as referred to in paragraph 12 of his Statutory Declaration. It therefore seems that, the argument of trust is used as a convenience wherever necessary as for the Trademarks in controversy whereas the conduct of Newfeld, AN and BTL in respect of all other Trademarks clearly reflects that no such trust arrangements were either intended, confirmed, acted upon or implemented’.

46. The first point to make about the Statutory Declaration is that it nowhere says that BTL assigned the marks to ACN. Rather it says that ‘BTL has now been restored..’ and ‘..all of the remaining trade mark rights have been assigned, together with all goodwill attaching to the marks, either directly or indirectly to ACN ... ACN is therefore the beneficial owner of numerous trade mark registrations of BENDY..’. There is no mention of who carried out the assignment at issue. It could have been CWN acting through Newfeld. There is some support for this in paragraph 13 of ACN’s second declaration, where he states:

‘The wishes of my father, Charles Neufeld, are that the name and the manufacture of Bendy Toys continues. Since Newfeld Limited is no longer a trading company the suggestion of it re-acquiring the Marks is neither practical or sensible’.

At the hearing Mr Fernando made much the same point, noting that, under the conditions of the trust, Newfeld Limited is absolutely entitled and could have given up its beneficial interest, in favour of ACN. Further, the passage quoted refers to the marks assigned ‘..either directly or indirectly..’; they could still be legally owned by BTL, with ACN as the majority shareholder. Even if this was not the case, as Mr Fernando pointed out, it:

‘..does not in any way affect whether or not the property was impressed with a trust at the time of the company being struck off the register. That is very important, because what they are all talking about .. happens after the company has been restored in April 1998. Just to be fair, we could have chopped off everything on 24th April, 1997. Everything that comes after is strictly irrelevant because unless the property is held absolutely by Bendy Toys at that very moment it is struck off, it does not become the property of the Crown,

bona vacantia under the Act .. If you are satisfied that on 24th April, 1997 there was a trust from Bendy Toys in favour of Newfeld Limited, then that is the end of it. It does not matter what happens after’.

47. Mr Kurmar also criticises the significance of the ‘Mortgage Debenture’ granted by the National Westminster Bank: for example, he points out that the trade mark in suite is not mentioned, and also refers to certain inconsistencies about dates. He concludes the correspondence relating to the Mortgage Debenture ‘... in no way support any argument of the alleged trust.’ Though I do not regard this evidence as conclusive, contrary to Mr Kumar’s dramatic conclusion, it does support the applicants’ contention that they considered a trust arrangement of some sort to be in place at that time.
48. In passing, at the start of his declaration, Mr Kumar stated that these proceedings involved ‘substantial questions of law’. I am disappointed that he has not provided me with more argument on these substantial questions, particularly in relation to the creation, or otherwise, of trusts arrangements. In neither of his declarations is there a single reference to any case law on the issue.
49. The final point I wish to consider appears in the following form in Mr Kumar’s first declaration. He refers to the contents of the assignment executed by Newfeld to BTL. He states:

‘.. the Assignment ... completely negates all trust concepts by transferring unfettered title to BTL, it is also completely silent about the additional restrictions on sale of the Marks and the call option alleged to be reserved by Newfeld. All aspects, thus, of the letter of 21st November 1990, were completely superseded and negated by the subsequent Assignment of 12th December 1990. Besides, the payment of a full and final consideration for Assignment has been agreed in the Assignment which is alien to a trust arrangement. There is also no evidence that the value of Marks was any higher than what is stated. If so, in any event, NL would possible be guilty of entering into a transaction with a related party which was not an “arms length” basis. Thereafter, by not exercising its rights under the alleged arrangements of 21st November 1990 which, not only would have prohibited ACN from being assigned the Marks by BTL and has since transpired, but would have been available to NL at practically no cost for future exploitation by it for the benefit of its creditors, it would have violated all corporate ethics and requirements’.

50. A number of points are raised here. The main one refers to the Assignment, ACN states (paragraph 14 of his second Declaration):

‘I did not mention the bare trust to Sanderson & Co because I thought it irrelevant. I wanted Bendy Toys Limited to appear as the owner of the Marks. Bendy Toys Limited, was, at the time, about to become the distributor of the Bendy products and needed to enter into, with third parties, character merchandise licenses, distribution agreements and possibly manufacturing joint ventures. I acted in a manner I thought was appropriate and cost effective which avoided the necessity of involving Newfeld Limited in the documentation of every transaction.’

This may also explain why reference to the trust arrangement is absent from other documents, such as the User Agreement, discussed above. But whatever the practical reasons behind

ACN's action, I do not believe the Assignment document necessarily undermines the existence of the trust. It is clear from *Banister v Banister* that an absolute conveyance cannot defeat the existence of a trust arrangement. Though that referred to a constructive trust, the same principle operated in *Rowe v Prance*, where an express trust was found even though the personal property at issue - a boat - was in the sole name of Mr Prance. This was found following repeated use of the word 'our' in reference to the boat by Mr Prance, both before and after its purchase. The documentation the applicants have included in evidence, both before the assignment (the correspondence at the end of 1990) and the material that followed (the mortgage debenture with the Westminster Bank and the fax to Bendy India Private) all clearly support the existence of the bare trust arrangement.

51. I note that s. 26 of the Act makes gives the registrar a general power to refuse to enter a notice of a trust, whether express, implied or constructive, on the register, and makes provision for him not to be affected by such a notice. However, this section does not prevent a registered trade mark being held in trust. Its effect is simply that, as far as the registrar is concerned, the person recorded as the proprietor is to be treated for all purposes as the owner of the mark. Any arrangements or dispute between the trustee and the beneficial owner is to be settled outside the register. This reflects the nature of recordals on the register in that they are concerned only with legal, not equitable, rights. Mr Fernando was of the view that the document of assignment mirrors the Act in that sense, being a conveyance of legal ownership of the BENDY mark to BTL, that is, it was the *legal estate* that had been transferred 'absolutely' to BTL under the terms of the assignment.
52. In fact, it seems to me, from my reading of the case law, that the assignment was necessary to properly constitute the trust. Turner LJ in *Milroy v Lord* (1862) 4 De GF & J 264, at 274-275, states:

'I take the law of this Court to be well settled, that, in order to render a voluntary settlement valid and effectual, the settlor must have done everything which, according to the nature of the property comprised in the settlement, was necessary to be done in order to transfer the property and render the settlement binding upon him. He may, of course, do this by actually transferring the property to the persons for whom he intends to provide, and the provision will then be effectual, and it will be equally effectual if he transfers the property to a trustee for the purposes of the settlement, or declares that he himself holds it in trust for those purposes; and if the property be personal, the trust may, as I apprehend, be declared either in writing or by parol; but, in order to render the settlement binding, one or other of these modes must, as I understand the law of this court, be resorted to, for there is no equity in this court to perfect an imperfect gift. The cases, I think, go further to this extent, that if the settlement is intended to be effectuated by one of the modes to which I have referred, the Court will not give effect to it by applying another of those modes. If it is intended to take effect by transfer, the court will not hold the intended transfer to operate as a declaration of trust, for then every imperfect instrument would be made effectual by being converted into a perfect trust.'

It is clear that one of the two means referred to by Turner LJ, by which a trust can be constituted, is where the '...settlor transfers his property to a third party who is intended to hold it on trust for specified beneficiaries. The trust will be fully constituted from the moment that the settlor has transferred the title to the property to the third party, who then becomes a trustee of it. The settlor ceases to retain any interest in the property from the time of the

transfer, unless he is intended to be a beneficiary of the trust' (*IOLIS*, John Stevens, *Constitution of Trusts*). Mr Fernando commented:

'..because the obligation on the trustee does not bite until the property has been received, although he receives it absolutely, once he receives it under the terms of the express trust he is bound to hold it on trust for Newfeld..'

The property was vested - that is, clothed with legal rights - on assignment, and this is when the trust came into existence.

53. It follows from the above that I have come to the conclusion that an express trust was established between Newfeld Limited and BTL at the end of 1990. As I noted above, in *Rowe v Prance* it was found that constant use of the word 'our' by Mr Prance in relation to the boat was enough to create an express trust between him and Mrs Rowe and, the court said, 'writing is not required since we are dealing with personal property to which there is no formality'. It is generally the case that no formalities are required for the creation of an *inter vivos* trust of personality (see *M'Fadden v Jenkins* (1842) 1 Ph. 153; *Paul v Constance*; *Re Kayford* [1975] 1 ELR 279). It should be noted, however, that specific formalities are necessary for the creation of certain trusts (see *Modern Equity* by Hanbury & Martin 15th Edition, 1997, Sweet & Maxwell page 76, and the passage quoted from *Milroy v Lord* above). *Modern Equity* adds (page 77) that the transfer to the trustees must accord with the rules applicable to the property concerned, for example, '..legal estates in land must be transferred by deed, and copyright by writing..'. S. 90(3) of the Copyright Designs and Patents Act 1988 is then cited, which parallels s. 24 of the Trade Marks Act. The latter states:

'(1) A registered trade mark is transmissible by assignment, testamentary disposition or operation of law in the same way as other personal or moveable property.

It is so transmissible either in connection with the goodwill of a business or independently.

(2) ... ,

(3) An assignment of a registered trade mark, or an assent relating to a registered trade mark, is not effective unless it is in writing signed by or on behalf of the assignor or, as the case may be, a personal representative'.

And this is the case in this matter. The correspondence between CWN and his son falls easily into the required category. My examination of the evidence in this case leaves me in no doubt that CWN intended to create a bare trust between Newfeld and BTL, and that the evidence supports the creation of an express trust. As a result, the trade mark registration N^o 1085099 did not go *bona vacantia*, and could not have been sold by the Treasury Solicitor. The recordal of the assignment to BIL was thus made in error under s. 64 of the Act. The ownership of the mark N^o 1085099 BENDY is thus to be amended to:

Bendy Toys Limited,
Ashford Road
Ashford
Middlesex
TW15 1XH.

And, in keeping with s. 64(3) the effect of this rectification of the register is that the error or omission in question shall be deemed never to have been made.

54. The applicants have been successful and is entitled to a contribution towards their costs. I order the applicants to pay them £1000. This 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.

Dated this 03 Day of August 2001.

**Dr W J Trott
Principal Hearing Officer
For the Registrar, the Comptroller General**