



RIGHT ON TARGET! BAD FAITH "BARS" REGISTRATION

BAR) for building products, specifically cavity wall fixings and accessories. The marks were registered by Target Fixings Limited (TFL) in June 2000, although the proprietor company had commenced business dealings with the Applicant for Cancellation some three years earlier.

the relationship between the parties was the reverse of that contended by the Applicant for Cancellation, namely that the Brutt Companies were in fact agents/distributors for the TFL business, who were fully entitled to claim proprietorship of the marks.

There was also a dispute as to who devised the various BRUTT brand names to be used on the wall fixings at the time when the parties originally got together to discuss future business arrangements. Since various Directors of the Brutt businesses had the family name Brutt and two of the marks in issue reflected the name of the Hungarian manufacturing company, this issue might have been considered clear cut, in favour of the Applicant for Cancellation, but the evidence suggested that at least two of the marks were coined by the Registered Proprietor.

At First Instance the Registry Hearing Officer concluded that the Applicant for Cancellation had not discharged the burden ►

Disputes between local importers/distributors and foreign trade mark owners concerning proprietorship of UK trade mark registrations have a long track record in this country. If the relationship is not regulated by an agreement at the outset, the Trade Mark Registry may have to disentangle a complex factual history before reaching a view on whether claims to "bad faith" registration have been established.

Perhaps unsurprisingly, this task is sometimes dealt with in a manner which, on appeal, is found to be less than optimal. In particular, where the conflicting stories have not been subjected to initial review by way of cross examination, reaching a conclusion on the competing merits of each side's claims is often problematic.

An interesting decision by the Appointed Person, Richard Arnold QC, in Case 0-372-06 dated 20 December 2006 (*Target Fixings Limited v Brutt Beteiligungsgesellschaft and others*) highlights the problems which may be encountered.

In this case, the dispute centred over a request for cancellation of the rights in the trade mark BRUTT and derivatives (BRUTT HELICAL, BRUTT BOND and BRUTT

The technology which formed the basis of the BRUTT products was patented originally by individual inventors but developed and commercialised by TFL in the UK initially. As the business expanded, TFL sought alternative manufacturing arrangements and found the Brutt businesses, who were already making similar fixings for other European customers. Through their parent company, TFL even took a shareholding in the Hungarian affiliate company who manufactured the BRUTT trade marked goods for them. For a while these arrangements operated harmoniously.

As the TFL business began to expand outside the UK, at the beginning of 2000, tensions arose as to the terms on which this might occur; as a consequence the shareholding arrangements described above were terminated, such that TFL then ceased to have any interest in the Brutt companies.

Simultaneously, and without the knowledge of the Brutt businesses, TFL filed to register the various BRUTT trade marks in the UK. The Applicant for Cancellation challenged these marks claiming "bad faith".

A major part of the defence lodged by the registered proprietor of the marks was that

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of proof necessary to demonstrate that the marks were filed by TFL in bad faith, or that the marks were filed by a person who was an agent or representative of the true proprietor of the mark. This latter basis for challenge relied on Section 60 of the UK Trade Marks Act.

He held that he was not entitled to draw inferences of bad faith from the evidence supplied unless such allegations were "distinctly proved".

Accordingly, absent such clear evidence, he decided that the Applicants for Cancellation had not discharged the onus of proof for the purposes of a "bad faith" challenge under Section 3(6) of the UK Act.

He also dismissed the Section 60 claim (on the basis that it had not been properly proven either).

On appeal, the Applicant for Cancellation claimed that the Hearing Officer had erred in law by applying the wrong standard of proof, and that it was an incorrect approach to the assessment of the facts before him not to draw inferences from the materials and evidence filed despite the complex nature of the case.

These arguments were accepted by the Appointed Person, who reaffirmed the fact that the standard of proof in civil cases, as here, was the balance of probabilities, not a higher standard.

In his decision, the Appointed Person held that it was also incorrect for the Hearing Officer to proceed on the basis that he was not permitted to draw any inferences at all from the material before him; reliance upon such inferences was a key mode of judicial reasoning, although this was not the same thing as a mere conjecture or guesswork. Such an approach was endorsed by decided case law, in his view.

The Appointed Person thus reversed the Hearing Officer's Decision, holding that Target's action in filing for the trade marks fell short of the standards of acceptable commercial behaviour observed by reasonable and experienced businessmen and was done in bad faith.

In reaching his conclusion he relied on the fact that at the time when the trade marks were filed in the UK the parties were engaged in a joint venture, that although at least two of the marks were coined by the Registered Proprietor they were derived from the Brutt family name and reflected the name of the company, and that the proprietor itself marketed the products as emanating from "Brutt Helical".

It was also relevant that overseas distributors for the products clearly understood that the marks belonged to the Applicant for Cancellation, and TFL were themselves only one of a number of distributors for the goods within Europe.

The Appointed Person also saw the absence of consent from Brutt Helical and the Brutt family to such registrations as an important factor, as well as the complete lack of explanation as to why the Registered Proprietor had filed for these marks at a time when the business relationship between the parties was in difficulties.

In a somewhat stark conclusion he held that "this is a case of a party seeking to lay its hands on the trade marks of another party with whom it had contractual or quasi-contractual relations". As a consequence he declared that each of the marks was invalidly registered and made a substantial Award of Costs to the Applicant for Cancellation.

The Appointed Person did not reverse the Hearing Officer's findings on Section 60, merely observing that it was probable that TFL were acting as the agent or the representative for one of the Brutt companies at the time when they filed the UK applications. However, the Applicant for Cancellation had failed to identify which Convention country it relied on as the jurisdiction where it was claiming prior rights in the mark (although the suggestion was that this could be Hungary). By inference, if the Applicant for Cancellation had relied solely on this ground for cancellation it may not have succeeded in making out the claim.

O2 (UK) LIMITED v HUTCHINSON 3G -

Reproducing someone else's registered trade mark in advertising for your own goods or services is likely to be an infringement of their monopoly rights, unless the use falls within the limited statutory defence set out in Section 10(6) of the UK Trade Marks Act. This allows use for the purpose of identifying goods or services as those of the proprietor of the registered mark, provided that it is "*in accordance with honest practices*." Moreover, comparative use in adverts must not take an unfair advantage of or be detrimental to the distinctive character or repute of the earlier mark.

In practice, many comparative advertisements feature references to a competitor's registered trade mark. It is often necessary to make such references to make the comparison meaningful for the average consumer. The overlap between the permitted use described in the UK Trade Marks Act and the guidelines for comparative advertising in the EU Comparative Advertising Directive "CAD" (97/95) can create uncertainty as to the correct assessment of such matters from a legal perspective.

Recently the question has been considered by the UK Court of Appeal in the ongoing dispute between two telecoms companies, O2 and Hutchinson 3G, which was the subject of a previous case report (at First Instance) in our July 2006 Newsletter. In the UK High Court, Hutchinson's use of

ECJ CLARIFIES THE

In our January 2007 Newsletter we reported on the Advocate General's opinion in KAUL GmbH's opposition to the registration of the trade mark ARCOL by Bayer AG. The ECJ have now issued their judgement and have reversed the CFI's conclusions on the correct interpretation of the law contained in the CTM Regulation and its implementing provisions.

Broadly, the ECJ has followed the Advocate General's opinion, as anticipated. The case turned on whether KAUL could file additional arguments on appeal, effectively broadening the scope of their opposition, and also submit new evidence

THE COMPARATIVE ADVERTISING DISPUTE CONTINUES...TO THE ECJ

O2's bubble imagery in their comparative advertising was held to infringe O2's registered trade mark rights, but was saved by the Section 10(6) defence, because in the overall context the advert was also held to be within the CAD guidelines, and accordingly satisfied the S.10(6) tests as well.

Neither side was happy with this outcome and appealed the matter further; Hutchinson's principal appeal argument was that there was in fact no infringement since they were only using O2's brands in a descriptive fashion and no consumer was likely to be confused. By contrast O2 argued that there was no necessity for the comparative advertisement to feature their registered trade marks and, as such, it breached the CAD guidelines. As a consequence it also infringed their trade marks under UK law. Their case was made more difficult by the High Court Judge's findings at First Instance that they had not demonstrated any economic loss or detriment (or any gain to Hutchinson) resulting from this alleged infringing use of the O2 marks.

In the lead Court of Appeal Judgement, Lord Justice Jacob concluded that the only thing that was clear was that the position was unclear and referred three points of law to the ECJ for clarification.

He was clearly of the view that comparative

advertisements of this type fell outside the scope of trade mark infringement but accepted that previous case law did not support this argument, to his obvious dismay.

As a matter of logic, Jacob LJ considered that where a third party trade mark is featured in a comparative advert, it is unlikely to jeopardise the essential function of any trade mark (to guarantee origin), since no consumer is likely to assume that the advertiser's goods/services are the same as those for which the comparison is made.

Accordingly, it should follow that any comparative advertising falls outside the infringement provisions of the UK Trade Marks Act, *per* Jacob LJ. The first question which was put to the ECJ suggested that this should be the correct interpretation of the law in this area.

In a typical aside, Jacob LJ suggested that "there is simply no reasonable need for trade mark law to cover this type of use".

However the Court of Appeal also sought clarification as to whether any comparative advert which qualified for the suggested legal "exemption" must also satisfy a further test, namely that the use of the third party registered trade mark is "indispensable" to the comparative advertising.

Again, Jacob LJ expressed the trenchant

opinion that this "indispensability" criterion would not make sense; presumably the ECJ will make its own mind up on this.

Finally, and on the assumption that the "necessity" requirement was applicable, the ECJ was asked to comment on whether the manner of use of the third party mark should be in strict conformity with the registered format.

This question probably flowed from the fact that in their contested advertising, Hutchinson had used a moving version of the "bubble" devices registered as static 2D marks by O2. Notwithstanding, the High Court had concluded that this infringed and the UK Court of Appeal appeared to agree.

It is to be hoped that the ECJ decides to grasp the nettle and provide clear guidelines on this topic to practitioners and trade mark owners. Comparative advertising is increasingly popular and, as a matter of policy, it is permissible throughout Europe under the CAD. Using registered trade mark rights to restrict this freedom may be considered inappropriate by the ECJ against this background; at the same time they also have to respect the guarantees in EU law which recognise the right of IP owners to enjoy a valid and enforceable monopoly. The dilemma is accordingly "clear" although the answer may not be.

RULES RELATING TO THE FILING OF EVIDENCE ON APPEAL BEFORE OHIM

of reputation, despite the initial decision by OHIM's Opposition Division rejecting their case.

In reaching their Decision, OHIM's Opposition Division had relied upon the provisions of Article 74(2) of the CTM Regulation, which states that the Office "*may disregard facts or evidence which were not submitted in due time by the parties concerned*". OHIM had relied on this wording to reject the late evidence and the CFI had upheld that interpretation, holding that the continuity in terms of function between the Opposition Division and Boards of Appeal in OHIM related only to their Decision-making powers, but did

not mean that the Board of Appeal could ignore the precise time limits set down for filing materials in support of opposition proceedings at First Instance.

As a matter of policy, OHIM argued, parties to opposition proceedings were entitled to early identification of conflicts between marks and any administrative Decision should be issued promptly.

If, contrary to the interpretation proposed by OHIM, parties to opposition proceedings could put in fresh evidence and materials on Appeal, this would weaken the principle of sound administration, the need to ensure

the proper conduct and effectiveness of proceedings before OHIM and the incentive on the parties to respect time limits imposed upon them.

While these arguments appeared highly cogent, the ECJ concluded in KAUJ that there was no reason of principle relating to the nature of the proceeding in issue which precluded the Board of Appeal from taking into account facts and evidence produced for the first time at the Appeal stage. Indeed, an examination of the jurisdiction of the Board of Appeal (as set out in Article 62(1) of the CTM Regulation) supported the view that it was called upon to carry out a new, full examination of the merits of the



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opposition, in terms of both law and fact. As such it would not make sense to preclude them from considering further facts and evidence filed on Appeal where appropriate.

In their judgement, the ECJ therefore held:

1. That the Board of Appeal is entitled to disregard facts or evidence which are filed out of time; however...
2. Contrary to the arguments put forward by OHIM, the submission of additional facts and evidence by the parties remains possible after the expiry of procedural time limits and an OHIM Board of Appeal is not automatically prohibited from taking account of such facts and evidence even where they are submitted or produced late.
3. Parties, however, do not have an unconditional right to have any facts and evidence submitted out of time taken into consideration at the Appeal stage. Article 74(2) of the CTM Regulation grants OHIM "*a wide discretion to decide, while giving reasons for its decision in that regard, whether or not to take such information into account*".
4. Taking late filed evidence into account on appeal is likely to be justified where OHIM considers that it "will be relevant to the outcome of the opposition" and, further, "the stage of the proceedings at which the late submission takes place and the circumstances surrounding it do not argue against such matters being taken into account".

In relation to the general conduct of proceedings before the Board of Appeal, the ECJ went on to state the following:

5. No reason of principle precludes the Board of Appeal from taking into account facts and evidence produced for the first time at the Appeal stage.

The ECJ thus confirmed that whilst the Board of Appeal could not be forced to consider such evidence, it was wrong for the Board of Appeal to find that it had no discretion at all whether or not to take account of this.

INTA 2007 ANNUAL MEETING, CHICAGO

Penny Nicholls, Jeremy Pennant, Gillian Deas and Angela Thornton-Jackson will be attending this year's INTA Annual Meeting in Chicago, and are very much looking forward to seeing friends and colleagues.

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