

**IN THE MATTER OF Application
2028150 to register the trade mark FSS
in Classes 9 & 36**

**AND IN THE MATTER OF Opposition
thereto under No 44658**

Background

1. On 25 July 1995, FNX Limited, incorporated in Pennsylvania USA, applied to register the trade mark FSS in Classes 9 and 36. The specification of goods and services is:-

Class 9

Personal computers and computer software for use in the field of financial services .

Class 36

Consulting services in the field of financial services.

2. The application contained a claim to priority arising from an earlier filed application in classes 9 & 42 filed on 31 January 1995 in the USA under No 74/627-707. A certified copy of the priority document was subsequently filed which substantiated this claim.

3. On 28 May 1996, Financial Software Systems, Inc. filed notice of opposition. The grounds of opposition are as follows:-

a) The application filed in the USA on 31 January 1995 from which the UK application claims priority, is not a regular "national filing" within the meaning of s35(3) of the Trade Marks Act 1994, and the opponent denies that the United States application for the mark FSS was the "first such application" by the applicants or their predecessors in title, within the meaning of s35(1) of the Trade Marks Act 1994. Consequently, the application should be regarded as having a priority date of 25 July

1995 (the filing date) and not 31 January 1995.

b) The opponent is the proprietor of trade mark application No 2025604 in respect of a series of two marks comprising the letters FSS in plain block capital letters and also the letters FSS in a logo form, the application being dated 30 June 1995 and covering computer software in Class 9, and design and creation of computer software and computer programming services, together with consultancy and advisory services relating to the design and creation of computer software in Class 42. The applicant's trade mark is identical or similar to the opponent's trade mark and is proposed to be registered for goods which are either identical or sufficiently similar so as to create a likelihood of confusion. The application therefore offends s5(1) and s5(2)(a) of the Trade Marks Act 1994.

c) The opponent has used the mark FSS in the United Kingdom on a substantial scale since at least as early as 1992. The opponent would be entitled to restrain any use by the applicant of the mark applied for by means of an action for passing off. The application therefore offends s5(4)(a) of the Trade Marks Act 1994.

d) By virtue of the use made of the mark FSS by the opponent prior to the date of the application, the mark applied for is incapable of distinguishing the goods and services of the applicant from those of the opponent, and the application therefore offends s1(1) of the Trade Marks Act 1994.

e) The applicant is a United States corporation formerly associated with the opponent and is well aware of the coining and adoption of the mark FSS by the opponent in 1992. The opponent denies that the applicant had any *bona fide* intention to use the mark applied for in the United Kingdom. The application therefore offends s32(3) and s 3(6) of the Trade Marks Act 1994.

4. On 12 June 1996, an application to register a change of proprietor of the application under opposition was filed. Attached to the application is a copy of an assignment dated 5 June 1996 between FNX Ltd, the original applicant, and Financial Systems Software (UK) Ltd.

5.The new applicant filed a counterstatement denying all the grounds of opposition and claiming use of the mark FSS in the United Kingdom since December 1988.

6.Both sides asked for an award of costs.

7.The matter came to be heard on 10 June 1999 when the applicant was represented by Ms Denise McFarland of Counsel instructed by the applicant and the opponent was represented by Ms Fiona Clark of Counsel instructed by Messrs J Y & G Y Johnson.

Late Request to Amend Pleadings

8.Three weeks prior to the hearing, the opponent submitted revised grounds of opposition. The revised grounds were to include a further ground of opposition under Section 3(1)(b) of the Trade Marks Act 1994. The further ground being that the mark FSS is devoid of any distinctive character in respect of the goods and services covered by the application. The applicant resisted the proposed amendment of the pleadings and, in consequence, I heard argument on the matter as a preliminary point at the hearing on 10 June 1999. Having heard argument from Counsel, I decided not to allow the proposed amendment of the grounds of opposition. My reasons for refusing to allow the amendment are as follows:-

a) The opponent submits that the proposed amendment of the pleadings does not in fact add a new ground of opposition but simply clarifies the existing ground of opposition under Section 1(1) of the Act. I reject that submission. The terms of the pleading under Section 1(1) of the Act makes it quite clear that the opponent's claim that the applicant's mark is not capable of distinguishing its goods and services is based upon the opponent's own use of an identical mark. This does not amount to a challenge to the mark's inherent capacity to distinguish. It is really a relative ground dressed up as an absolute ground for refusal. This is a practice which, unfortunately, is not uncommon in pleadings before the Registrar. If the opponent really thought that the original pleading covered the point one wonders why any amendment of the pleadings is necessary. The answer is that the original pleading did not cover the point.

- b) Section 1(1) of the Act states that trade marks may consist of letters. In these circumstances it does not appear to me that a trade mark can be said to be devoid of any distinctive character merely because it consists exclusively of a combination of three letters.
- c) The question of whether any particular three letters can be registered, therefore, seems to me to depend upon the distinctiveness of the letters in question when considered in relation to the goods and services for which registration is sought, taking account of any surrounding factors, such as the practices of the relevant trade.
- d) An opposition on absolute grounds to a three letter mark will therefore require the opponent to make good through evidence its objections that the mark is devoid of any distinctive character having regard to the descriptive meaning of the letters and/or the practices of the trade, such as the common use of similar three letter combinations for non-trade mark purposes. The applicant needs to understand the case against him and to have an opportunity, through the filing of his own evidence, to rebut the opponent's case.
- e) Introducing such a ground after the evidence stages have been completed and without particularising it until the substantive hearing denies the applicant a clear view of the objection being taken against his mark and a proper opportunity to rebut the allegation of non-distinctiveness.
- f) I do not consider that the opponent has identified a knockout point. The case presented to me at the hearing was that the letters FSS were apt for use by both the applicant and the opponent (and possibly one or two other companies with names the first letters of which would be FSS) and that the letters FSS were not therefore distinctive in relation to financial software or services. However, there is no evidence that the letters FSS have been used by any other party in the trade as a generic description of financial software systems or services. Both the applicant and the opponent claim that their use of the letters FSS (which obviously comes from their company names) is as a trade mark.

The Opponent's evidence

9. The opponent filed an affidavit dated 1 November 1996 by Gerald H Thurston, who is the President of Financial Software Systems Inc.

10. Mr Thurston says that until April 1992, he was a 50/50 shareholder with one Farid Naib in a US corporation called FX Systems Inc. Irreconcilable differences led to a decision to dissolve the corporation with the intention that each of the original two shareholders would set up and continue business under new independent corporations which they would establish.

11. Mr Naib set up FNX Ltd (the original applicant) and Mr Thurston with others set up a company called Financial Software Systems Inc.. In August 1992 Mr Thurston and Mr Naib entered into a formal agreement to liquidate and dissolve FX Systems Inc. A copy of the agreement is attached to Mr Thurston's declaration as Exhibit GHT3. Paragraph 1(b) of the document records that agreement was reached to use names which were not confusable with FX Systems Inc. In particular, it was agreed that "Farid's" (that is Mr Naib) use of the company and trade name "FNX Ltd" and "Jerry's" (that is Mr Thurston) use of the company and trade name "Financial Software Systems Inc." were not too similar to "FX Systems Inc.". The letters "FNX" and "FSS" have been handwritten in brackets after the first two company names. Mr Thurston points out that both he and Mr Naib initialled the insertion of these letters.

12. Financial Software Systems Inc took over clients and ongoing work in the United Kingdom, including the lease on FX Systems' London office.

13. Mr Thurston says that, in April 1992, he and the two other founders of his new company, Leigh Anne Woolfe and Vince Small, chose the name Financial Software Systems. Mr Thurston claims that neither he nor, to the best of his knowledge, his co-founders were aware of any other company bearing the name Financial Software Systems or Financial Systems Software.

14. In May 1992 a marketing firm was engaged to design a logo that could be used on the

business cards and stationery etc. of Financial Software Systems. The marketing company in turn engaged the design firm of Tom Fowler Inc. In June 1992 Financial Software Systems Inc. selected a composite mark, a copy of which is attached as Exhibit GHT2 to Mr Thurston's affidavit. A copy of the mark in question is reproduced below.



Financial Software Systems

15. Mr Thurston states that at this time neither he nor anyone else in his company was aware of another company operating under the trade mark FSS.

16. It is claimed that Financial Software Systems Inc. first used the composite FSS mark in the UK in June 1992 on its stationery, business cards etc. Exhibit GHT6 to Mr Thurston's affidavit consists of copies of advertisements placed in magazines such as "Risk Magazine" and "Futures and Options World". These advertisements are dated in October 1992 and early in 1993.

17. Exhibit GHT10 to Mr Thurston's affidavit consists of a promotional brochure. The brochure carries the FSS composite mark. It promotes the Opponent's financial risk management systems. Mr Thurston says that 250 of these brochures were distributed to clients and potential clients in London during the course of 1992, but he does not provide a list of such clients. By contrast Exhibit GHT12 to Mr Thurston's affidavit does contain a list of 47 institutes and individuals to whom letters bearing the Opponent's trade mark were sent in December 1992. Each of these letters are said to have contained the Opponent's composite

trade mark including the letters FSS. The Opponent also claims to have had a display stand at the International Forex Conference held in London in June 1994.

18. Mr Thurston says that the Opponent's products consist essentially of computer software packages which are usually installed in existing computer hardware provided by the individual client. The Opponent also provides ancillary services such as training, technical back-up and maintenance. He says that a typical contract would involve the installation of one of his company's computer packages on all the computers at a large financial institution and that the unit cost would typically be in the region of £50,000 to £1 million. He further says that his company supplies continuing maintenance and consultancy services under the FSS mark to clients who purchased systems from FX Systems before its dissolution.

19. Mr Thurston says that his company, Financial Software Systems Inc., "made sales of its computer systems, and/or provided continuing services" to four clients in the United Kingdom during the period from its inception in 1992 to January 1995. He also claims to have made substantial sales of goods and services from the London Office to clients throughout Europe during the relevant period. The total amount of sales through the London Office from April 1992 to July 1995 was US\$800,438 (or approximately £530,000).

20. Exhibit GHT4 to Mr Thurston's affidavit consists of a copy of an Airborne Express Airway bill accompanying a package sent from FNX Ltd and addressed simply "FSS", with Mr Thurston's Company's address and own name. Mr Thurston says that this package was sent to him by Mr Naib during the dissolution negotiations for FX Systems Inc. between April and August of 1992. Exhibit GHT5 to Mr Thurston's declaration consists of an article from the November 1994 issue of the "Philadelphia Business Journal" which relates to the business activities of FNX Ltd. This article attributes several quotes to Mr Naib which suggests that he was aware that his ex partner had started a business under the name FSS.

21. Exhibit GHT16 to Mr Thurston's affidavit consists of a copy of FNX Ltd's US trade mark application No. 74/627,707 for the mark FSS in respect of "personal computers and computer software in the field of financial services in International Class 9" and "consulting services in the field of financial services in International Class 42". Mr Thurston notes that the application

contained a declaration signed by Mr Naib which states that “he believes the applicant to be the owner of the mark sought to be registered and that to the best of his knowledge and belief no other person, firm, corporation, or association has the right to use the above identified mark in commerce”. Mr Thurston claims that in view of Mr Naib’s intimate knowledge of Mr Thurston’s company’s use of the mark FSS, this was a willful false statement on Mr Naib’s part which, in Mr Thurston’s view, jeopardises the validity of the US application and the applicant’s right to claim priority for the UK application under opposition.

22. Mr Thurston also states that, in view of Mr Naib’s full knowledge of Financial Software Systems Inc’s business in the UK under the FSS mark the UK application should, in any event, be regarded as having been made in bad faith.

23. Exhibits GHT17 and 18 consists of copies of assignment documents purporting to transfer the ownership of the mark FSS from Financial Systems Software (UK Ltd) to Financial Systems Software (FSS Ltd) on 9 October 1994, and from Financial Systems Software (FSS Ltd) to FNX Ltd on 2 November 1994, and then from FNX Ltd to Financial Systems Software (UK) Ltd on 5 June 1996. Exhibit GHT 18 contains copies of a “Bill of Sale and Assignment” dated 9 October 1994 of assets, including the FSS mark, from Financial Systems Software (UK) Ltd to Financial Systems Software (FSS) Ltd. Also included is a copy of an Asset Purchase Agreement dated 2 November 1994 between Financial Systems Software (FSS) Ltd and FNX Ltd., which also includes the mark FSS and associated goodwill. Mr Thurston observes that the assignment documents do not appear to have been properly assessed for stamp duty and that he believes that, because of this, the assignment should not have been recorded by the Trade Mark Registry, and cannot be relied up by the applicant. Accordingly, Mr Thurston states that the application must be treated as remaining in the name of FNX Ltd.

24. Mr Thurston further denies that Financial Systems Software UK Ltd or Financial Systems Software FSS (Ltd) ever enjoyed any rights in the trade mark FSS. He says that the only advertisements which have been produced by the applicant show relatively recent use of the mark and have all appeared since his, Mr Thurston’s, company started trading. He therefore asserts that the applicant’s use of the mark FSS is liable to cause confusion and deception in

the light of the opponent's earlier use of those letters in the UK.

25. Finally, exhibit GHT15 to Mr Thurston's affidavit is a copy of a filing receipt for a UK application in the name of his company (Financial Software Systems Inc.) for a series of two marks. This was filed on 30 June 1995. The trade marks concerned are the letters FSS alone and within the device shown in the composite mark at para 14 above. The application is in Classes 9 and 42 and covers computer software in Class 9 and the design and creation of computer software and computer programming services and related consultancy and advisory services in Class 42.

The Applicant's evidence

26. In response to this the current applicant (Financial Systems Software (UK) Ltd) filed four affidavits by their Managing Director, Dr Mamdouh Barakat. These declarations are dated 8 January 1997, 15 January 1997, 22 October 1997 and 4 November 1997.

27. I have carefully reviewed all the evidence filed. A good deal of Dr Barakat's evidence is irrelevant because it relates to a separate but related dispute between the parties concerning the use and similarity of the names Financial Software Systems and Financial Systems Software. The relevant facts are as follows.

28. The trade mark FSS is claimed to have been first used by Financial Systems Software (UK) Ltd in the UK in December of 1988. Dr Barakat claims that the mark has been used in relation to "personal computers and computer software for use in the field of financial services which are included in Class 9", "consultancy in the field of financial services and risk management consultancy included in Class 36" and "computer programming services; advisory and consulting services all relating to computer programming, included in Class 42".

29. Approximate annual turnover under the mark is said to have been around £90,000 between December 1988 and the end of 1989 rising to around £300,000 in the period from the 1 January 1994 to the 9 November 1994. This equates to 43 sales in the first period mentioned above rising to over 400 sales during the period identified in 1994. The proportion of the sales

which relate to the United Kingdom varies from year to year. It is said that 86% of the sales in the first year were in the UK. The percentage dropped gradually over the years and, by 1994, only 37% of the sales claimed were in the UK.

30. Exhibit DMB2 to Dr Barakat's first affidavit consists of a client list, a list of invoices and a copy of the standard terms of purchase for the applicant's goods and services. I have carefully examined these documents and I believe that the most that can be said about them in support of the applicant's case is that the standard terms, which Dr Barakat says were reproduced on the back of every invoice issued during the period described above, prominently featured the letters FSS. The words "Financial Systems Software" were much more extensively used. Most of the invoices contained in Exhibit DMB2 relate to the purchase of licences for computer software. A number of the invoices are for what is described as "front office consultancy." It is not entirely clear what this means, but judging from the few descriptions that are provided on the invoices, it appears to mean technical support relating to the installation and maintenance of the applicant's software. This is illustrated by an invoice dated 18 November 1991 addressed to Stuart Lucas of Bear, Stearns International Limited, which is for "front office analytics consultancy", otherwise defined as one hour of telephone support.

31. The applicant claims to have advertised under the mark FSS extensively since 1989. Exhibit DMB3 to Dr Barakat's declaration is intended to bear this out. However, the advertisements contained in Exhibit DMB3 are generally under the name 'Financial Systems Software'. Where the letters FSS appear they are usually just shorthand for the company name which has appeared earlier. However, there are a few advertisements which feature the letters FSS more prominently. The most significant of these are advertisements which appeared in the 'Lotus' users magazine in March and April of 1990. This advert contains the caption 'FSS Has An Ideal Solution For You'. The company name also appears but on this occasion is very much subsidiary to the letters FSS. The same advertisement appeared in the Software Users Year book of 1991, which was first published in July of 1990. Another advertisement appeared in 'Risk' magazine of September 1989. The advertisement is for the applicant's "Universal Yield Calculator" and a "pocket yield PC." Both are identified primarily by reference to the letters FSS, although the company name also appears. A further advertisement appeared in the January 1995 edition of 'Futures and Options World'. This

advertises the applicant's software under the name 'FSS - Financial Systems Software - a division of FNX Ltd.'

32. The applicant's business is described as that of "Mathematicians offering consultancy services and writing computer software to assist the international banks to price, trade, monitor and manage the risk of their securities positions in international markets".

33. Dr Barakat claims that his company acquired a considerable international reputation under the mark FSS prior to the date of the application. In particular, it is said that the software sold under the current applicant's trade mark FSS was established as one of the top financial "add-in" programs in the world. In support of these claims Dr Barakat has filed copies of a number of articles and directory listings as exhibits DMB5 and DMB6 to his affidavit. However, on my reading of these articles they generally refer to his company primarily by the name 'Financial Systems Software', with the letters FSS used in a subsidiary way as a shortening of the name.

34. Dr Barakat also claims that his companies use the letters FSS in promotional material and brochures. There is some support for this claim in exhibit DMB8. A number of the promotional leaflets contained therein do use the letters FSS in a prominent manner as a means of describing the current applicant's products. For example, the 1992, 1993 and 1994 brochures feature the company name Financial Systems Software (UK) Limited and the letters FSS in the form of a prominent heading entitled "Description of some FSS solutions". Exhibit DMB9 provides further support. It includes a copy of a press release from March 1990 which makes the following reference to the current applicant: "FSS Launch a Universal Trading System."

35. Exhibit DMB13 includes a letter written to Dr Barakat on 6 June 1995 by Roland Raskopf of Deutsche Bank. The letter is addressed to 'FSS - Financial Systems Software.' The letter expresses thanks to Dr Barakat for the time he spent demonstrating and explaining the 'FSS-Excel-Add-In System'.

36. In November 1994, the original applicant and the current applicant entered into an

agreement to transfer most of the current applicant's intellectual property rights to FNX Limited. Dr Barakat states that this resulted in the assignment of an earlier UK trade mark application in the current applicant's name to FNX Limited on 16 October 1995, and the filing of the application in suit in the name of FNX Limited. Dr Barakat states that these steps were premature. The 1994 agreement only took effect when the final consideration for the transfer had been paid by FNX Limited in November 1997. This did not take place. The relationship between the current applicant and FNX Limited broke down irrevocably in 1996 with the result that the transfer agreement was terminated prior to its completion. As part of a Settlement Agreement made on 2 May 1996, FNX Limited agreed that the worldwide ownership rights in and usage of the trade mark FSS and all associated goodwill belonged exclusively to the current applicant, Financial Systems Software (UK) Ltd. The current applicant agreed to continue to licence FNX Limited to use the FSS trade mark until 31 December 1996. Dr Barakat claims that the beneficial ownership of the mark FSS therefore remained at all times with the current applicant. FNX Limited was an authorised licensee of the applicant during the period November 1994 - 31 December 1996 and only the "nominee holder" of this application. Consequently, Dr Barakat states that no stamp duty was payable on the assignment to transfer the current application from FNX Limited to Financial Systems Software (UK) Limited.

37. It is admitted that at the time of the filing of the United States application, from which this application claims priority, the current applicant and FNX Limited were aware of the activities of the opponent. However, Dr Barakat asserts that the opponent has never had any rights to use the mark 'FSS'. Dr Barakat bases this assertion on his claim that the opponent deliberately chose this mark while aware of the earlier usage of an identical mark by the current applicant in relation to identical or similar goods and services.

38. In particular it is claimed that the original applicant, in the form of Mr Farid Naib, told one Vince Small of the opponent's organisation around September 1992 that there was another company named FSS selling financial calculators. There is support for this in Exhibit DMB20 to Dr Barakat's first declaration which consists of copies of e-mail exchanges between himself and Farid Naib. This was around the time of the opponent's first established advertisement of their FSS logo mark in the September 1992 edition of 'Futures and Options World'.

39. Dr Barakat contends that the opponent's sales are very small. Of the four clients listed in Mr Thurston's affidavit of 1 November 1996, three also appeared in an earlier affidavit by him dated 15 July 1996. This was made in relation to earlier opposition proceedings under the Trade Marks Act 1938 in respect of an application by Financial Systems Software (UK) Ltd to register the FSS trade mark in Class 42. In the earlier affidavit it was said that three of the four clients listed in the later declaration were acquired during the course of 1992. Dr Barakat points out that, if true, this means that only one client was acquired after the end of 1992 and before the end of the relevant period in these proceedings - January 1995; this client being Garantia Inc. Dr Barakat states that, having searched, he can find no record of this company having a place of business in the UK. He is aware that it has a place of business in the United States. He therefore challenges the opponent's claim to have acquired any new clients after the end of 1992. Further, Dr Barakat points out that the earlier three clients were existing clients of FX Systems Inc. before that organisation was dissolved in 1992. The opponent took over these clients as part of the dissolution settlement. Dr Barakat therefore casts doubt on whether the opponent made any sales under the composite FSS trade mark, which appears to have been first used in September 1992.

40. Dr Barakat also draws attention to an apparent contradiction in the opponent's evidence. Average sales under the mark are said to be between £50,000 and £1 million and yet total sales through the London office from April 1992 to July 1995 are only claimed to have been around £530,000. This includes sales to clients in other European countries. This is said to add credence to Dr Barakat's contention that the opponent has not established any sales under its composite FSS mark in the UK during the relevant period.

41. Dr Barakat further claims that in related US proceedings, Mr Thurston has admitted that the current applicant used the letters 'FSS' in advertisements and brochures two years before the inception of the opponent's company. This is supported by exhibit DMB1 to Dr Barakat's affidavit of 4 November 1997, which consists of a copy of sworn evidence given by Mr Thurston under examination in the US proceedings .

42. It is claimed that Gerald Thurston also admitted that he knew of the current applicant's company on 31 May 1992 or thereabouts. It also appears from Mr Thurston's evidence in the

US proceedings that he conceded that he conducted a name search in June 1992 which did disclose details of the current applicant's company in the UK. The search in the UK also appears to have included marks incorporating the letters FSS. On reading the results of the search - which are also included in exhibit DNB1 to Dr Barakat's affidavit of 4 November 1997- it appears that the letter search failed to produce any relevant hits. This is not surprising because the current applicant had no registered or pending FSS mark in the UK in June 1992.

43. I record here that Dr Barakat voluntarily attended the hearing for cross examination on his evidence. The cross examination did not shed much more light upon the matters in dispute. I will refer to the outcome of the cross examination at the points in my decision at which it is relevant and of assistance.

Decision

Section 1(1)

44. I will first of all address the ground of opposition under s1(1) of the Act. As I have already indicated, s1(1) expressly provides that trade marks may consist of letters. This is to be contrasted with s9 of the Trade Marks Act 1938 which did not include letters as a category of signs which were to be regarded as "adapted to distinguish." That omission clearly had an effect on the types of sign that were regarded as "capable of distinguishing" under s10 of the 1938 Act. And even under the old law, mere letters were capable of registration on evidence of factual distinctiveness or, in the case of services, sometimes *prima facie*. I do not consider that a mark can be regarded as incapable of distinguishing within the meaning of s1(1) of the current Act merely because the mark in question consists exclusively of three letters.

45. The only specific objection pleaded is that that the letters in question are the initial letters of the name of (and the mark of) the opponent. For the reasons given above (on pages 3&4), this is irrelevant to the consideration under s1(1). At the hearing, Ms Clark sought to broaden the objection by pointing out that the *applicant's* evidence indicated the existence of a couple of other companies with names with the same initials, one of which appeared to be in the

financial field. Thus it was submitted that the registration sought would limit the right of others engaged in the trade to shorten their names to FSS and registration would therefore be contrary to s1(1). This submission is based upon the comments of Lord Parker in *W & G du Cros* (30 R.P.C. 660 (1913)) that distinctiveness depends upon the likelihood of other legitimate traders wishing to use the same or similar mark on their own goods or services. Robert Walker L.J. stated in *Procter and Gamble v Registrar of Trade Marks* (29th Jan 1999 - as yet unreported);

“I would accept that Lord Parker’s observations about distinctiveness must since the 1994 Act be treated with considerable caution, especially so far as they refer to what is capable in law of distinguishing one product from another.”

46. I do not therefore consider Lord Parker’s words to be a reliable test of the marks excluded from registration by s1(1), which as Geoffrey Hobbs QC observed in *AD2000* (1997 R.P.C. 168), is intended to set a lower threshold than s3(1)(b),(c) & (d) of the Act, and really only excludes from registration signs without trade mark *potential*.

47. As I have already observed, Ms Clark’s submission goes beyond the opponent’s pleadings. In any event, I do not consider there to be any real substance to the submission. Other than by the parties to these proceedings, there is no evidence of any *use* in the relevant trade of the letters FSS. And both the parties here have filed applications to register those letters as their trade marks. The opposition under s1(1) fails.

Section 5(2)(a)

48. The opposition under s5(2)(a) is based upon the opponent’s own application in classes 9 & 42 for a series of two marks consisting of the letters FSS and the letters FSS within a logo. I was advised at the hearing that the opponent has decided to pursue only that part of its application relating to the logo version of the mark. The opponent’s application has an earlier filing date than the application under opposition and this would normally make the opponent’s application the “earlier trade mark” under s6(1)(a) of the Act. However, the applicant is able to claim an earlier priority date by virtue of s35 of the Act, the relevant parts of which are as

follows:

(1) A person who has duly filed an application for protection of a trade mark in a Convention country (a “Convention application”), or his successor in title, has a right to priority, for the purposes of registering the same trade mark under this Act for some or all of the same goods or services, for a period of six months from the date of filing of the first such application.

(3) Any filing which in a Convention country is equivalent to a regular national filing, under its domestic legislation or an international agreement, shall be treated as giving rise to the right of priority.

A “regular national filing” means a filing which is adequate to establish the date on which the application was filed in that country, whatever may be the subsequent fate of that application.

(4) A subsequent application concerning the same subject as the first Convention application, filed in the same Convention country, shall be considered the first Convention application (of which the filing date is the starting date of priority), if at the time of their subsequent application-

- (a) the previous application has been withdrawn, abandoned or refused, without having been laid open to public inspection and without leaving any rights outstanding, and
- (b) it has not yet served as a basis for claiming priority.

The previous application may not thereafter serve as a basis for claiming priority.

(6) A right to priority arising as a result of a Convention application may be assigned or otherwise transmitted, either with the application or independently.

49. The opponent’s pleadings particularise two grounds upon which they say the priority claim should be rejected. Firstly, it is said that the US filing was not the “first such application” for the mark in a Convention country. This is no doubt a reference to the current applicant’s first UK filing under the 1938 Act. However, that application (which has been refused by the Registrar and I understand is the subject of a pending appeal) was in Class 42. The current application is in classes 9 & 36. Accordingly, that US application can be considered the first filing in a Convention country for the goods and services at issue. Ms Clark saw no need to pursue the point before me and I think she was right not to do so.

50. The second leg of the opponent's attack on the priority claim is that the US application was filed in bad faith because it contained a declaration by Mr Naib that he knew to be false, with the result that, under US law, the application may be deemed invalid. I was advised that there are proceedings relating to this matter pending in the US, but they are currently suspended awaiting the outcome of yet further related litigation.

51. A priority date is established by a "regular national filing." This is defined in s35(3) as "a filing which is adequate to establish the date on which the application was filed in that country, *whatever may be the subsequent fate of the application*" (my emphasis). If a UK application is filed complying with the requirements of s32 it is accorded a filing date. If the application is subsequently found to have been filed in bad faith the application is liable to be refused under s3(6) of the Act, but the application is not deemed never to have been filed. If the attack comes after registration, the registration may be declared invalid under s47 with the result that "the *registration* shall...be deemed never to have been made"; but the *application* is not deemed never to have been filed. The Act does not distinguish between registrations which are declared invalid on grounds of bad faith or on other grounds, such as lack of distinctiveness or the existence of earlier trade marks or other rights. Consequently, it is impossible to reconcile an interpretation of the words of s47(1) as meaning that a declaration of invalidity results in the *application* being deemed never to have been made with the wording of s35(3) in italics above, which on that interpretation would have no application. I am fortified in this view by the wording of Rule 11 of the Trade Mark Rules 1994 (as Amended) shown below:

Where an application for registration of a trade mark does not satisfy the requirements of section 32(2), (3) or (4) or Rule 5(1) or 8(2), the registrar shall send notice thereof to the applicant to remedy the deficiencies or, in the case of section 32(4), the default of payment and if within two months of the date of the notice the applicant-

- (a) fails to remedy any deficiency notified to him in respect of section 32(2), the application shall be deemed never to have been made; or
- (b) fails to remedy any deficiency notified to him in respect of section 32(3) or Rule 5(1) or 8(2) or fails to make payment as required by section 32(4), the application shall be treated as abandoned

52. The requirement for a statement of use or *bona fide* intention to use is covered in s32(3) of the Act and is not therefore subject to paragraph ‘a’ of rule 11 above.

53. I conclude that, although it may lead to refusal or invalidation, bad faith is not a sufficient ground to deny or revoke the filing date of a UK application. That appears an unsatisfactory conclusion but it appears to me to be the only credible interpretation of the statute. If the legislature had intended to introduce additional and separate consequences for applications filed in bad faith they would have done so. Consequently, it appears to me that a UK application filed in bad faith is in no different position to any other application that is eventually refused or declared invalid. It may still serve as the basis for a valid priority claim elsewhere.

54. Ms Clark accepted that I could not rule on the validity of the US filing relied upon by the applicant. Instead she suggested that I stay the proceedings to await the outcome of the US proceedings, which as I have already mentioned, are themselves suspended. Ms Clark linked this with a further suggestion that the proceedings should be stayed to await the outcome of an appeal to the High Court against the Registrar’s decision to refuse the current applicant’s earlier 1938 Act application in class 42. These requests were made very late in the day and without notice. The opponent had asked for a substantive hearing and it had also requested that Dr Barakat attend for cross examination - which he did. In these circumstances there was, in my judgement, a particular onus was on the opponent to persuade me that an eleventh hour stay of proceedings was nevertheless appropriate. I saw no merit in the suggestion that the proceedings be stayed to await the outcome of a domestic appeal under a different Act. The opponent hadn’t provided any documentary records of the US proceedings, although it is common ground that the validity of the US application is one of the grounds of dispute. As to the significance of this, I indicated at the hearing that I was doubtful whether bad faith was a sufficient ground to revoke *a filing date* under UK law. In response to this, Ms Clark said that the law in the USA *may* be different. Ms McFarland submitted that the US filing was a “regular national filing” for the purposes of the Act. If a US Court subsequently came to a different conclusion it was Ms McFarland’s view that it would be open to the opponent to use that finding as a basis for rectification (she meant invalidation) of the UK registration. Taking account of all these points, I rejected the opponent’s untimely requests for a stay of

proceedings on the basis that US law had not been shown to be any different to that in the UK. On that footing, the US filing is a sufficient basis for the priority claim.

55. The US filing is in classes 9 & 42. Class 9 of the US application covers the same goods as this application. It follows from my previous finding that the applicant has priority with regard to these goods. The US application for services is in international class 42 whereas this application is in class 36. The specification of both applications uses the same rather general wording; “consulting services in the field of financial services”. However, the meaning to be attached to this wording varies depending upon the class in which the application is filed. Financial consultancy services are proper to international class 36, and this was also the case at the relevant dates (this is clear from the sixth edition of the WIPO guide to the International Classification of Goods and Services (Nice Classification)). Computer hardware and software consultancy services for the financial service sector (like all all other market sectors) are proper to class 42. The applicant’s priority claim does not therefore extend to the services covered by this application in class 36.

56. However, there is no evidence that companies who supply computer software design, programming and related consultancy services which fall into class 42 normally provide financial consultancy services which fall in class 36. The Registrar would not normally consider these similar services for the purposes of s5(2)(a). I do not therefore consider it significant that the applicant has a later claim for the class 36 part of the application than the opponent does for the class 42 part of its own application. In any event, the services listed by the opponent in class 42 of its application are undoubtedly similar to the goods listed by the applicant in class 9. The applicant’s priority claim in class 9 therefore effectively provides it with a right of priority over the opponent’s application in classes 9 & 42. It follows from this finding that the opposition under s5(2)(a) fails.

Section 5(4)(a)

57. The opponent claims to have common law rights arising from the use of its FSS logo since 1992. The necessary requirements for a passing off right were outlined by Geoffrey Hobbs QC in the AD2000 case mentioned above. These can be summarised as; i) the opponent must

show that it has goodwill in the UK under a sign; ii) that the use of the applicant's mark is liable to cause confusion or deception among a relevant class of persons and constitutes a misrepresentation; iii) that is likely to cause damage to the opponent's goodwill.

58. The date at which the matter must be judged is not entirely clear from s5(4)(a) of the Act. This provision is clearly intended to implement Article 4(4)(b) of Directive 89/104/EEC. It is now well settled that it is appropriate to look to the wording of the Directive in order to settle matters of doubt arising from the wording of equivalent provisions of the Act. It is clear from Article 4(4)(b) of the Directive that the earlier right had to have been "acquired prior to the date of the application for registration of the subsequent trade mark, or the date of the priority claimed..." The relevant date is therefore 31 January 1995.

59. There is no doubt that the opponent's FSS composite mark (including the name 'Financial Software Systems') was used in publications which circulated within the UK before the relevant date. The opponent also claims to have issued promotional material bearing the logo mark and name. The main evidence of the latter dates back to 1992 but the opponent also claims to have had a stand at the international Forex exhibition in London in 1994.

60. A review of the opponent's promotional material reveals that the goods and services promoted under the FSS logo mark were financial risk management computer systems consisting of computer software with associated installation and support services.

61. Whether any sales have taken place under the mark is less clear. The opponent claims to have "made sales and/or provided continuing services" to four UK clients since its inception in 1992. The applicant points out that three of these were clients of FX Systems Inc., to whom the opponent was to provide continuing support services as part of the Dissolution Agreement. It is said that the fourth client does not have a business in the UK. The opponent did not file evidence in reply. Whether any sales of computer systems have taken place to UK customers under the mark is therefore a matter of some doubt. What is clear is that if the opponent had any goodwill in the UK at the relevant date that was more than *de minimis*, it was on a very modest scale and is unlikely to have subsisted in the letters FSS *per se* but in the composite mark shown at para 14 above.

62. The current applicant claims to have had a much more extensive and longstanding goodwill under the mark FSS. There is some dispute about whether the applicant's products are the same as those of the opponent. The opponent points out that the applicant's products can be distinguished on price and the fact that they are mainly sold as "add-ins" to other parties' software packages rather than being self-contained systems. The current applicant points out that its software can be used for other financial calculations and is not just for risk management. I do not consider that these differences amount to much from a trade mark perspective. The respective products appear to be essentially the same. The evidence indicates that they have been advertised in the same specialist magazine (Risk) and for the same purposes. In any event, there can be no doubt that the opponent's goods are included within the applicant's class 9 specification.

63. The opponent's position, as I understand it, is that the current applicant effectively abandoned any use it had made up of the mark FSS in around 1991 and only recommenced use of the FSS mark in 1994 after the opponent had commenced use of its FSS logo mark. This was around the time that Mr Naib's company entered into an agreement to purchase the assets of Financial Systems Software (FSS) Ltd. The inference being that the resumption of use of the FSS mark was inspired, inter alia, by the continuing ill will between Mr Naib and his ex-partner Mr Thurston.

64. The applicant's use of the mark FSS in the period 1991-93 was one of the matters that Dr Barakat was cross-examined about at the hearing. He maintained that the FSS mark had continued to be used throughout this period, particularly on newsletters and also on computer screens when his company's software was run.

65. The evidence shows that the current applicant first used the letters FSS in about 1989. There is evidence of limited use of the letters FSS up until 1991. The established use then becomes even more sporadic up until late 1994, when it becomes more common, generally in the form of a logo including the words "Financial Systems Software" and, in much smaller lettering, "A division of FNX Inc."

66. I do not need to decide whether the current applicant had itself established sufficient

goodwill and reputation in the UK under the mark FSS for the opponent's use of its mark to constitute a misrepresentation. I do find that the current applicant used the letters FSS first in the relevant trade in the UK.

67. There is plenty of evidence of the use (by the original and current applicant and in magazine articles about their business) of the letters FSS purely as a shortened form of the company name 'Financial Systems Software', which was also used extensively from 1989 within the specialised market for financial calculators and/or risk management software and on PC's with similar built-in software. This lends some support to Dr Barakat's assertion that, within the small UK market for such products, his company was known as 'FSS' at the relevant date.

68. The opponent says that all the use by the applicant of the letters FSS is in relation to the company name rather than as a trade mark for its products or services. One could make the same point about the opponent's use of the letters FSS in its logo, which is equally clearly a reference to the company name which usually appears with it. It is certainly true to say that the applicant's use of the letters FSS as a trade mark is thin - wafer thin in 1992 and 1993 - but there are examples (described in paras 30 and 31 above) which probably constitute trade mark use prior to the relevant date. There is no evidence that the applicant's software carried any mark other than the company name and/or the letters FSS. It appears that PCs sold under the mark may also have carried an Atari or Tandy mark (from whom the current applicant sourced the PCs).

69. Given the current applicant's earlier use of the letters FSS and the nature and limited extent of the opponent's own use of its composite mark in the UK in the field of financial risk management software, I do not believe that, at the relevant date, a Court would have regarded the letters FSS to have been factually distinctive of the opponent's goods and services to the relevant class of persons. If that is right, the original applicant's use of the mark FSS would not have amounted to a misrepresentation resulting in the passing off of its products as those of the opponent. On this footing the opposition under s5(4)(a) of the Act must fail.

Sections 32(3) and 3(6)

70. The remaining grounds of opposition are under s32(3) and s3(6) of the Act. The opponent's pleadings indicate that both of these grounds go to the same issue - that the original applicant had no *bona fide* intention to use the mark in the UK at the relevant date. I believe that it is right to consider these two grounds as one. Section 32(3) requires that the application shall contain a statement that the applicant is using or has a bona fide intention to use the mark applied for. The application form in question contains such a statement and therefore satisfies s32(3), which really just sets out the filing requirements. Any question as to the truthfulness of that statement falls to be considered under s3(6) of the Act, which is as follows:

(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.

71. If the original applicant made the application in bad faith the defect cannot be cured by the presence of a *bona fide* intention on the part of the current applicant. The original applicant has not filed any direct evidence in these proceedings. I must therefore determine the matter on the opponent's evidence, the documentary evidence filed by the current applicant and any surrounding circumstantial facts.

72. The Asset Purchase Agreement entered into between the original applicant and Financial Systems Software (FSS) Ltd on 2 November 1994 includes the mark "FSS" and associated goodwill and is therefore strong *prima facie* evidence of the original applicant's intention to use the mark in the UK, at least as far as financial risk management/calculator software is concerned.

73. This is consistent with the evidence given by Farid Naib in related US proceedings, a copy of which is included in exhibit DMB1 to Dr Barakat's last affidavit. His answers to the questions put to him make it quite clear that his purpose in acquiring the business of Financial Systems Software (FSS) Ltd was to get hold of Dr Barakat's "source code and the technology within those source codes" (page 121), although he naturally also wanted the trade marks and

names so as to capitalise on the goodwill he was seeking to acquire.

74. I believe it is clear that the original applicant had a definite intention to use the mark in respect of the goods and services provided by the UK company he had entered into an agreement to purchase in November 1994. There is nothing to suggest that FNX Ltd intended to significantly broaden the range of goods and services provided under the FSS name. Indeed in his evidence in the US proceedings (pages 137 and 138 of DMB1) Mr Naib indicates that his plans under the FSS mark were limited to making a few big sales under the FSS name in order to get FNX known in the interest rate calculators (software) market.

75. Dr Barakat was cross examined on his evidence of the scope of his company's activities. He maintained that his company provided a range of hardware and software solutions in the financial field ranging from 'add-in' programs to complete 'turn-key' systems. He also repeated references in his company's promotional material to 'software consultancy', 'training' and 'network installations.' The last two are proper to classes 41 and 42 respectively. I see nothing in the evidence which persuades me that the current applicant has provided the sort of financial consultancy services which fall into class 36 or, even if they had, that the original applicant had any intention of using the FSS mark in relation to such services when the FNX Ltd filed the UK application in June 1995. In this connection I regard it as significant that the corresponding US application was filed in classes 9 & 42. I therefore find that, as far as class 36 is concerned, the s32(3) statement on the application form was made in bad faith and the opposition succeeds to this extent.

76. I do not regard the applicant's class 9 specification as an unreasonably wide description of the goods provided by the business covered by the Asset Purchase Agreement dated November 1994. No doubt the goods could be described more precisely but this would not benefit the opponent because on the evidence it would have to include risk management software.

77. The opponent's evidence covers another matter under the heading of 'bad faith'. Mr Thurston points to the terms of the Dissolution Agreement of FX Systems Inc. and says that there was an agreement that Mr Naib would use the trade name FNX Ltd., that he would use

the name FSS, and that the parties would avoid using the same or confusingly similar names. As the terms of the Agreement passed most of the UK business of FX Systems to Mr Thurston, it is argued that it was implicit that this agreement extended to the UK. And if this is so, the application made by FNX Ltd, of which Mr Naib is the Chief Executive, to register the letters FSS as a trade mark, was manifestly made in bad faith.

78. Ms McFarland pointed out that this Agreement is subject to Pennsylvania law and contains a clause whereby only the courts of Pennsylvania have jurisdiction over any dispute.

Fortunately, I do not have to decide the significance of that point because I do not consider that the terms of the Agreement could assist the opponent. The letters 'FSS' first appear in the Agreement in clause 1(b) which records an agreement between Mr Thurston and Mr Naib not to conduct business under names confusingly similar to FX Systems Inc. It is agreed that FNX Ltd and Financial Software Systems, Inc are not confusingly similar. The letters 'FSS' have been handwritten in brackets after the second name and initialed by the parties. On my reading this is no more than the customary insertion of a short hand code for a name immediately after the first appearance of that name. Indeed the letters 'FNX' have also been inserted after the first name. Not surprisingly there are further references to just 'FSS' and 'FNX'.

79. The situation becomes even clearer when one sees that a further sentence "The parties acknowledge and agree that Farid [Mr Naib] may use 'FNX Systems' as a trade mark or trade name and Jerry [Mr Thurston] may use 'FSS Systems and/or FSS as a trade mark or trade name'" has been struck through in the final agreement at para 1(c) and para 10 of a simultaneous agreement on the ownership of software rights. The adoption of the mark FSS by the original applicant in the UK is clearly not contrary to this agreement. Nor do I consider that the Mr Naib's knowledge of the opponent's adoption of its composite mark (including the letters FSS) means that the UK application was filed in bad faith in circumstances where his company had already entered into an agreement to purchase the goodwill and common law trade marks of a pre-existing UK company which claimed earlier use of the mark 'FSS' in the UK.

Ownership of Application

80. The opponent's evidence raises a further matter of whether the change of applicant from FNX Ltd to Financial Systems Software (UK) Ltd should have been recorded. It is said that the current applicant has not had the assignment document filed with the application assessed for stamp duty and therefore it cannot be relied upon as evidence in any proceedings in the UK. Accordingly, the opponent says that the application should still be considered to be in the name of FNX Ltd.

81. The opponent has not asked to formally amend its pleadings so as to include this as a ground of opposition. Section 27(3) of the Act states that an application to register particulars of a registrable transaction shall, where an application for registration is concerned, be considered as the giving of notice to the registrar of the particulars in question. The transaction cannot be recorded on the register until such time as the mark itself is placed upon the register. Consequently, this aspect of the opponent's case is really an attempt to oppose the recording of the registrable transaction upon registration rather than the application for registration itself. 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 s64 of the Act. It is common ground that the provisions of the Stamp Act 1891 (as amended) relating to the inadmissibility of unstamped assignments as evidence can be overcome by the late payment of any duty due. There is nothing to prevent the applicant paying any outstanding stamp duty before the mark is registered and the transaction recorded on the register. That strengthens my view that it is not appropriate for me to finally determine the matter as part of these proceedings.

82. At the hearing it transpired that one of the opponent's objectives in raising the matter was to have the document assigning the mark from FNX Ltd to Financial Systems Software (UK) Ltd deemed inadmissible as evidence in these proceedings. This attack was not signalled before the hearing and is slightly surprising given it was the opponent which filed copies of the assignment document as exhibit GHT 18 to Mr Thurston's affidavit. The assignment in question is dated after the date of the application and even after the date of the notice of

opposition. As all the pleaded grounds of opposition must be decided at the date of filing of the application or at the earlier priority date, I do not need to rely upon the assignment to deal with the grounds of opposition to the application.

Applicant's Requests to file evidence after substantive hearing

83. After the hearing I received a facsimile dated 14 July 1999 from Dr Barakat referring to the receipt by him of a document disclosed by the opponent in related High Court proceedings, which he thought strengthened his case. Dr Barakat indicated that he had been advised that documents produced through discovery in one set of legal proceedings may not be admitted or disclosed in other proceedings without the leave of the Court. Dr Barakat appeared to be asking the Registrar to admit this evidence and simultaneously to allow 28 days in order to give him time to investigate the matter further.

84. On my instruction Dr Baraket was advised that:

- a) It is, in principle, undesirable for a party to seek to file further evidence after a substantive hearing before the Registrar;
- b) The Registrar would only be prepared to consider further evidence in the most exceptional circumstances;
- c) As the Registrar had not seen the evidence - which the applicant did not appear to be in a position to disclose - he could not judge whether the circumstances were exceptional;
- d) In these circumstances, the Registrar could not agree to suspend his decision.

85. Dr Barakat responded to this on 24 August with a request for the Registrar to admit the evidence in question, if necessary using his own power under rule 52 of the Trade Mark Rules 1994 (as amended) to order discovery of the document in his possession and thereby avoid any conflict with the rules of the High Court. Dr Barakat also asked for permission to file yet

further evidence which had come to light which he believed confirmed that the applicant was known as FSS from its inception. In the event that any of these requests were refused the applicant sought a further hearing under rule 48.

86. The procedures for filing evidence in an opposition are set out in rule 13. Paragraphs 1-7 cover the procedures for filing the pleadings and the parties evidence' and paragraphs 8 and 9 are as follows:

(8) No further evidence may be filed, except that, in relation to any proceedings before him the registrar may at any time if he thinks fit give leave to either party to file such evidence upon such terms as he may think fit.

(9) Upon completion of the evidence the registrar shall request the parties to state by notice to him in writing whether they wish to be heard; if any party requests to be heard the registrar shall send to the parties notice of a date for the hearing.

87. It is clear from paragraph 8 that either party may request leave to file additional evidence after the end of the usual evidence rounds. But as the opening words of paragraph 9 make clear, the substantive hearing is to be held once the evidence is complete.

88. I consider it a matter of some concern that the applicant has sought to introduce additional evidence in this manner. Hearings before the Registrar are intended to complete the process not point up areas where parties can file further evidence to remedy perceived weaknesses in their case. I do not consider that this can be entirely put down to the fact that the applicant has not (except for the substantive hearing) been represented by a Trade Mark Attorney or lawyer. The applicant clearly has access to legal advice and Dr Barakat has shown himself to be familiar with legal procedure.

89. It is, of course, always possible for vital documents to be produced belatedly through discovery in related proceedings. In these circumstances the proper course is for the party concerned to seek the leave of the Court for the document to be used and disclosed for any purpose which would otherwise fall foul of its rules. I do not think that it is open to the Registrar to use his own powers under rule 52 to order discovery of a document as a

mechanism to circumvent the rules of the High Court.

90. In the event, I do not need to decide whether the applicant is entitled to be heard on these matters because the applicant has succeeded on the grounds which could be affected by the evidence which it wishes to file or have discovered. Consequently, there is no adverse effect on the applicant.

Conclusion

91. The grounds of opposition under s1(1), 5(2)(a) & 5(4)(a) have failed. The ground of opposition under s3(6) has failed insofar as class 9 of the application is concerned. This ground succeeds as far as class 36 of the application is concerned. The applicant has one month from the end of the period for appealing this decision to file a Form TM21 deleting class 36 from its application. If it fails to do so the application will be refused.

Costs

92. Most of the grounds of opposition have failed, but the application has only partly succeeded. Overall, the applicant has been more successful than the opponent and would therefore normally be entitled to some contribution towards its costs.

93. I must also take account of the outcome of an earlier interlocutory hearing and subsequent appeal to the Appointed Person, which ended with the applicant successful on a “narrow and theoretical point” in respect of one of the two grounds of appeal. Mr G Hobbs QC, acting as The Appointed Person, directed that the costs of the appeal (if any) should be determined by the Registrar as part of the main proceedings.

94. Taking account of all the circumstances, I order the opponent to pay the applicant the sum of £300.

Dated this 8 Day of September 1999

Allan James

For the Registrar

The Comptroller General