TRADE MARKS ACT 1938 (AS AMENDED)
AND TRADE MARKS ACT 1994

IN THE MATTER OF APPLICATION No. 1424644
BY INTERSNACK KNABBER-GEBÄCK GMBH & CO. KG
TO REGISTER A TRADE MARK IN CLASS 30

AND

IN THE MATTER OF OPPOSITION THERETO UNDER No. 49213
BY KAMBLY SA SPÉCIALITIÉS DE BISCUITS SUISSES

TRADE MARKS ACT 1938 (AS AMENDED)
AND TRADE MARKS ACT 1994

IN THE MATTER OF application No. 1424644
by Intersnack Knabber-Gebäck GmbH & Co. KG
to register a trade mark in Class 30

And

In the matter of opposition thereto under No. 49213
By Kambly SA Spécialitiés de Biscuits Suisses

DECISION

On 11 May 1990, Joseph Wolf GmbH & Co KG applied under Section 17(1) of the Trade Marks Act 1938 to register the word GOLDFISCHLI in Class 30 in respect of the following goods:

> Baked snack products made of wheaten flour; all included in Class 30.

In 1995, Joseph Wolf GmbH & Co KG (who by then had changed their name to Joseph Wolf Snack und Gebäck GmbH) merged with Convent Knabber-Gebäck GmbH & Co. KG to become Intersnack Knabber-Geback GmbH & Co. KG and who are shown as the current proprietors.

On 20 November 1998, Kambly SA Spécialistés de Biscuits Suisses filed notice of opposition, in which they say that they are the owners of the trade marks GOLDFISH and GOLDFISCHLI which they have applied to register in Class 30 under number 1516120. They refer to the existence of various agreements including one dated 24 October 1967 effected between the opponents and the applicants in which the applicants are said to have assigned all rights, title and interest in the mark applied for to the opponents, and as such:

> the applicants are not entitled to use the mark applied for in the United Kingdom,
>
> that such use would be contrary to law within the meaning of the Trade Marks Act 1938,
>
> the applicants are not entitled to prevent the opponents from using the mark applied for in the United Kingdom or to claim exclusive use of the mark applied for in the United Kingdom.

4. The grounds of opposition are in summary:

1. Under Section 17(1)	because the applicants are not entitled to claim to be the proprietors of the mark applied for,
2. Under Section 68(1)	because the mark is not used or proposed to be used in relation to the goods for which registration is sought for the purpose of indicating a connection in the course of trade between the goods of some person having the right as proprietor or as registered user to use the mark,
3. Under Section 17(2)	because the application was made in the full knowledge of the opponents' prior rights in the trade mark and that the application should be refused in the exercise of the Registrar's discretion,
4. Under Section 11	because use of the trade mark applied for by the applicant in relation to the goods in respect of which the application is made is calculated to deceive or cause confusion.

5. The opponents also make general references to the mark not being capable of distinguishing the goods of the applicants and that it is not a registrable mark within the meaning of the Act. They also ask that the Registrar refuse the mark in the exercise of her discretion and that costs be awarded against the applicants.

6. The applicants filed a counter-statement in which they deny all of the grounds on which the opposition is based saying that the mark relied upon by the opponents post-dates their application, that the agreement referred to by the opponents is an assignment of rights. They also refer to the decision of the Registrar in consolidated rectification actions against two marks registered by the opponents. They say that there is no reason for the Registrar to exercise her discretion and refuse the application. They request that the opposition be dismissed and that costs be awarded in their favour.

7. Both sides have filed evidence in these proceedings and the matter came to be heard on 4 July 2002, when the applicants were represented by Mr Michael Edenborough of Counsel, instructed by Mewburn Ellis, their Trade Mark Attorneys, the opponents by Mr John Baldwin of Her Majesty's Counsel, instructed by Marks & Clerk, their Trade Mark Attorneys.

8. By the time this matter came up for a decision, the Trade Marks Act 1938 had been repealed in accordance with Section 106(2) and Schedule 5 of the Trade Marks Act 1994. These proceedings having begun under the provisions of the 1938 Act must continue to be dealt with under that Act, in accordance with the transitional provisions set out in Paragraph 17 of Schedule 3 of the 1994 Act. Accordingly, all reference in this decision are references to the 1938 Act and

the Trade Marks and Service Marks Rules 1986.

Opponents' evidence (Rule 49)

9. The opponents' evidence consists of a Statutory Declaration by Christian Lehmann and a Declaration by Rolf Gfeller.

10. The Statutory Declaration by Christian Lehmann is dated 21 February 2002. Mr Lehmann says that he is the Company Secretary of Kambly SA, Spécialités de Biscuits Suisses, and that he has been in the employ of the company since 1964.

11. Mr Lehmann says that his company is an independent family business, established in 1910 as a manufacturer of speciality biscuit products. He describes the conception in 1958 of a mini-savoury snack in the shape of a little fish, marketed under the name GOLDFISH and GOLDFISCHLI which means "little goldfish", a photograph of the product being shown at exhibit CL1. The photograph depicts small biscuits recognisable as being in the shape of a fish.

12. Mr Lehmann refers to his company hiring a freelance graphic designer, Mr Rolf Gfeller, to design and develop the original product label. He says that Mr Gfeller chose distinctive lettering for the name GOLDFISCHLI with the GOLD in gold lettering on a black background and the word FISCHLI in black lettering on a cream background and set alongside but slightly below the word GOLD. Exhibit CL2 contains a representation of the label devised by Mr Gfeller. The label shows examples of the fish snacks shown in exhibit CL1 represented in shoals, the word GOLD as described above but with the words "POISSONS DORÉS above, running into the word FISCHLI. Mr Lehmann says that the label was used in Switzerland. Mr Lehmann describes his contacting Mr Gfeller and to his agreement to execute a Declaration, an unsigned copy of which is shown as exhibit CL3. I will summarise this Declaration later.

13. Mr Lehmann says that the product was first introduced in Switzerland and gives details of licencing arrangements covering Austria and Germany. A translated copy of a licence agreement between the opponents and Joseph Wolf KG (the original applicants) is shown as exhibit CL4. The licence agreement is dated 24 October 1967, and makes reference to an earlier licence agreement dated 21 March 1959 although no details of this licence have been provided. The agreement, inter alia, confirms that the opponents:

> are the holders of various trade marks registered internationally and that enjoy protection in the Federal Republic of Germany,
>
> have granted the applicants exclusive use of the trade mark rights and other labelling rights for GOLDFISCHLI in the Federal Republic of Germany,
>
> transfers the German portion of its 4 international registrations for the marks GOLDFISCHLI package logo, GOLDFISCHLI word, SCHWEIZER FISCHLI package

logo and GOLDFISH word to the applicants, the transfer to be concluded by the execution of a separate agreement.

14. Article 5 of the Agreement states that the applicants agree to exploit....the trade marks pursuant to Articles 1(2) only in the Federal Republic of Germany and not to export the items under licence without prior written consent of the opponents even into countries in the Common Market (EEC), but noting that a special agreement relates to Austria. Article 10 states that on the ending of the agreement, Wolf may use or cause to be used the trade mark and labelling rights concerning GOLDFISCHLI only in the Federal Republic of Germany, and the opponents everywhere else. Article 11 prohibits the transfer of rights under the agreement.

15. Mr Lehmann lists details of other licences that his company has granted, the countries in which the savoury snack product has been sold and the volumes of sales; there is no mention of the United Kingdom in any of these lists. Exhibit CL5 consists of examples of labels and packaging materials used under these licences.

16. Mr Lehmann goes on to say that in 1960 his company registered GOLDFISCHLI and a device in the United Kingdom (number 803846), details of its publication in the Trade Marks Journal being shown as exhibit CL6. The advertisement is for a mark very similar to that described under exhibit CL2, with the exception that it contains the word KAMBLY beneath the word GOLD. The advertisement contains a statement that the words POISSONS DORÉS mean "GOLD FISH" and GOLD FISCHLI being the Swiss colloquial meaning "LITTLE GOLD FISH". Mr Lehmann says that the mark was registered with a view to finding a UK licensee which they did in August 1995. Mr Lehmann mentions an application for the word GOLDFISCHLI in the same lettering and style devised by Rolf Gfeller made by Joseph Wolf (the Austrian and German licensee) in 1989, which he contends was designed to resemble his company's GOLDFISCHLI label, and which if used would be contrary to the Licence Agreement which prohibited Wolf from trading in snack products under the trade mark GOLDFISH and GOLDFISCHLI outside of Germany.

17. Mr Lehmann refers to the revocation of his company's trade mark (number 803846) on the grounds of non-use and to them having made a later application to register GOLDFISH and GOLDFISCHLI, saying that his company is the true owner of these marks and that Joseph Wolf applied for the mark in bad faith because they know they are not entitled to claim to be the proprietor.

18. The Declaration from Rolf Gfeller is dated 28 February 2000. Mr Gfeller confirms that he worked as a freelance graphic designer for the opponents from 1958 to 1978.

19. Mr Gfeller says that in 1958 Mr Kambly created a new savoury snack product for his (the opponents) company, in the shape of a little fish that was to be marketed under the name GOLDFISH and GOLDFISCHLI, exhibit RG1 being a photograph of the product. He says that Mr Kambly engaged him to realise the product, and that he devised a unique label with distinctive lettering for the word GOLDFISCHLI, the word GOLD written in gold lettering on a black

background, the word FISCHLI in black lettering on a cream background. Mr Gfeller says that he devised the label for the product, a sample of which is shown as exhibit RG2. The label is identical to that described as exhibit CL2. He confirms that he is the author of the original label, but once created the unrestricted use remained, as is customary, the property of the company.

Applicants' evidence (Rule 50)

20. This consists of three Witness Statements. The first is dated 21 August 2001 and comes from Professor Carl Baudenbacher, Chair of Private, Commercial and Business Law, University of St Gallen, 1, Rue de la Ferme, L-1898 Kockelsheuer, Switzerland. The Statement is a legal opinion on the Licence Agreements of 1959 and 1967 between the opponents and Joseph Wolf KG referred to earlier.

21. The next Witness Statement comes from Heinz Röder, who from 1960 to 1998 was employed by Joseph Wolf KG and subsequently by Joseph Wolf Snack und Gebäck GmbH.

22. Mr Röder gives details of the history and development of Joseph Wolf KG up to the merger in 1995 of Joseph Wolf Snack und Gebäck GmbH with Convent Knabber-Gebäck GmbH & Co KG resulting in the formation of Intersnack Knabber-Gebäck GmbH & Co. KG.

23. Mr Röder says that in the 1950s a business relationship developed between the opponents' company and Wolf by which the opponents bought machinery for the manufacture of its products from Wolf. He refers to the licensing arrangement executed in 1959 between the companies relating to the production and marketing of the GOLDFISCHLI product. Mr Röder says that the agreement was subject to several amendments up to its termination in 1974. He makes reference to the agreement allowing Wolf to market GOLDFISCHLI products in Germany and Austria, and that after it ended the marketing activities were only maintained in those countries.

24. Mr Röder says that as a result of competition, Wolf embarked on registering GOLDFISCHLI as a trade mark, initially in the 1970's in Eastern Europe, and at the beginning of the 1990's in other countries, although gives no specific details. He says that until then the opponents had not been active in the countries where the trade mark had been registered, stating that until that time, the opponents had not used the trade mark for several years. He explains Wolfs efforts to develop the GOLDFISCHLI trade mark and products sold under it.

25. The final Witness Statement is dated 22 August 2001 and comes from Olaf Wilcke, Business Development Manager of Intersnack Knabber-Gebäck GmbH & Co. KG. A position he has held since 1 June 1988.

26. Mr Wilcke says that his company is one of the leading producers of salted snack items in Europe and has registered the trade mark GOLDFISCHLI in 13 European countries and successfully introduced the snack in several. He refers to the development of new products, such as Maxi Mix and Party Mix, and makes general reference to their marketing. Mr Wilcke says that

in the period between 1993 and 1998 his country achieved a minimum turnover of DM52 million from sales of the GOLDFISCHLI product in 40 countries.

Opponents' evidence in reply

27. This consists of a Witness Statement dated 18 March 2002 from Christian Lehmann. Mr Lehmann comments on the statement by Olaf Wilcke, saying that:

- the use by Intersnack post dates the date of application and is not relevant,
- the applicants have not marketed products under the mark throughout Europe because the Licence Agreements confined their use to Germany and Austria,
- the opponents have sold snack products under the trade mark in Switzerland since the 1950's, and from approximately 1965, also in Austria alongside those of the applicants, this being allowed under the terms of a supplementary Licence Agreement, a copy of which is shown as exhibit CL7.

28. Mr Lehmann gives details of his company's turnover in respect of sales of GOLDFISCHLI products in Austria. He goes on to refer to exhibits CL8 and CL9 which consist of examples of packaging used by the applicants for their Maxi Mix and Party Mix products (referred to by Mr Wilcke), and that used by the opponents and their licensees, respectively. Mr Lehmann notes that the applicants' packaging does not contain any mention of GOLDFISCHLI, the sample showing this to be the case. The opponents' packaging is that previously shown as exhibit CL2.

29. Mr Lehmann next goes to the Witness Statement by Heinz Röder, confirming that the licensing agreement expired in 1974, but that it provided that the applicants could use the mark and other labelling rights concerning GOLDFISCHLI only in the Federal Republic of Germany, the opponents being free to use it everywhere else. Mr Lehmann says that the opponents did conclude an agreement with the applicants permitting them to register and use the trade mark in a few selected Eastern European countries.

30. Mr Lehmann turns to the Witness Statement by Professor Dr. Carl Baudenbacher, noting that under the heading "Facts", Dr. Baudenbacher accepted that even after the termination of the contract, the licencee would remain under an unlimited duty not to make use of the pertinent trade marks outside of Germany (Article 10, second sentence of the Agreement), and that when considering whether the contract could be terminated for valid reasons he concluded "In the present case there are no obvious reasons which would justify a termination for a valid reason.". Mr Lehmann states that neither Intersnack nor Joseph Wolf have ever served notice that it wished to terminate the Agreement, and consequently, it was in force at the relevant date.

That concludes my review of the evidence insofar as it is relevant to these proceedings.

Decision

31. Turning first to the grounds under Section 17(1). That section read as follows:

> "**17.**-(1) Any person claiming to be the proprietor of a trade mark used or proposed to be used by him who is desirous of registering it must apply in writing to the Registrar in the prescribed manner for registration either in Part A or in Part B of the register.

32. Although the opponents had registered the words GOLDFISH and GOLDFISCHLI as trade marks prior to the applicants having made their application, these registrations were subsequently revoked on the grounds of non-use. That being the case I must proceed on the basis that this is a question of the proprietorship of an unregistered trade mark, and in this respect Mr Baldwin referred me to two cases, the first being the decision of the Court of Appeal in the *Al Bassam* trade mark case [1995] RPC 511, in which Morritt L.J. looked at the question of proprietorship in the following terms:

at page 522 line 6 et seq:

> "*Accordingly, it is necessary to start with the common law principles applicable to questions of ownership of unregistered marks. These are not in doubt and may be shortly stated. First the owner of a mark which had been used in conjunction with goods was he who first used it. Thus in Nicholson & Sons Ltd's application (1931) 48 RPC 227 at page 253 Lawrence LJ*
>
> > *"The case to which I have referred (and there are others to the like effect) show that it is firmly established at the time when the Act of 1875 was passed that a trader acquired a right of property in a distinctive mark merely by using it upon or in connection with his goods irrespective of the length of such user and of the extent of his trade and that such right of property would be protected by injunction restraining any other person from using the mark.*
> >
> > *Second the right to the used mark as an indication of the origin of the goods could not be assigned separately from the goodwill of the business in which it has been used for that would have been to assign the right to commit a fraud on the public."*

and at page 522 line 40 et seq:

> *"In my view it is plain that the proprietor is he who satisfies the principles of the common law to which I have referred. Accordingly in the case of a used mark, as in this case, the owner or proprietor is he who first used it in relation to goods for the purpose indicated in the definition of trade mark contained in Section 68 which I have already quoted. Ownership of the mark is a different concept to deceptiveness of the mark, the principles*

applicable to the two concepts are different and I do not see how one can determine whether there is likely to be confusion without first deciding who is the proprietor."

33. The second case is the *Club Europe* trade mark case (2000) RPC 329, *in which* Sir Richard Scott, The Vice Chancellor, citing the *Al Bassam* case went on to say:

> "*Moreover, section 17(1) permits an application to be made for registration of a mark "proposed to be used". So the absence of any previous use of the mark cannot, in my judgement, be a conclusive objection to the application. This was not the point at issue in the AL BASSAM case and the remarks made by Morritt L.J. cannot have been intended to rule out an application for registration of a mark not yet used but proposed to be used or for the registration of a mark used in relation to particular services but proposed to be used in relation to additional services. In relation to services for which a mark has not yet been used but is proposed to be used, the designer or originator of the mark will, in my opinion, be the proprietor of the mark for section 17(1) purposes provided that no-one else has become the first user of the mark in relation to those services*."

34. From this I take the following guidance:

- i the owner of a used mark is he who first used it in relation to goods for the purpose indicated in the definition of a trade mark contained in Section 68,

- ii a trader may acquire a right in a mark by using it upon or in connection with his goods irrespective of the length of such user and of the extent of his trade,

- iii when considering the question of goodwill, it is the goodwill in the mark in the United Kingdom,

- iv ownership of a mark is a different concept to deceptiveness of the mark,

- v that where a mark has not yet been used but is proposed to be used, the designer or originator of the mark will be the proprietor for section 17(1) purposes provided that no-one else has become the first user of the mark in relation to those services.

What the above cases do not mention is that the use need not necessarily be use by the proprietor himself.

35. The evidence that relates to the use of the mark by either party is very limited, and indeed there is no evidence that either party had made use of the mark in the United Kingdom prior to the relevant date. The most that can be said is that in 1960 the opponents registered a composite

trade mark incorporating, inter alia, the word GOLDFISCHLI and the device of "shoaling fish", with, they say, the intention of finding a licensee, but did not do so until 1995, well after the relevant date in these proceedings.

36. In his statement Mr Röder says that at the beginning of the 90's, his company set about protecting their rights in the mark against third parties, saying "Until then Kambly had not been at all active in the countries where the trade mark had been registered and/or had not used the trade mark registered there for several years.". From this, and the fact that the applicants sought (and succeeded) in having Kambly's (the opponents) UK registration revoked on grounds of non-use, I consider it to be reasonable to infer that the applicants were well informed as to the extent of the opponents (and their licensees) trading activities, and also the trade mark registrations that had been put in place, including in particular, in the United Kingdom. The question that I am posed, is whether it is reasonable to say that the applicants should have been aware of, or expected that the opponents might extend their trade to the United Kingdom, but nonetheless sought to appropriate the mark for themselves.

37. The opponents' registered trade mark dates from 1960. By the time the applicants filed to register the trade mark in 1989 the opponents had not succeeded in their stated intent of finding a licensee, and in fact, did not manage to do so until 1995, some six years after the relevant date. During this time the applicants assert that they had been using the mark in various countries, albeit not the United Kingdom, and that they saw the potential danger to their future intentions posed by the placing on the market of similar goods of their competitors, which prompted them to protect their interests and seek to register the trade mark.

38. It is often said in an application to revoke a registered trade mark "use it or lose it", and in my view, the same should apply to the rights to claim to be the proprietor of an unused mark. I cannot see that in saying that where a mark *"has not yet been used but is proposed to be used, the designer or originator of the mark will, in my opinion, be the proprietor of the mark for section 17(1) purposes"* Sir Richard Scott was giving the originator of a mark, particularly one from outside of this jurisdiction, an open-ended licence to claim to be the proprietor absent of evidence to show that they are making real preparations for use. To take such a view would permit the originator to prevent others from obtaining a registration of an otherwise unused mark, and give the originator a safe haven of non-use beyond that afforded by registration.

39. This is not a sophisticated product with a limited pool of potential manufacturers, but a mass-market consumer snack product capable of being manufactured by any number of businesses. On any reasonable assessment, approaching thirty years is more than ample time for a trader, with a real intent, to find and reach agreement with a licensee. All that the opponents say is that the company "did not succeed in reaching an agreement with any potential licensees in the UK". They say nothing about what, if any efforts that they made in this endeavour. By their own evidence they do not appear to have encountered the same difficulty in other countries. On the bald facts before me I consider it reasonable that the applicants should see the way clear for them to make the application, subject of course to the agreements to which I will come next.

40. Turning to the licence agreement. This, in essence;

i. granted the applicants the exclusive use the trade mark GOLDFISCHLI in the Federal Republic of Germany,

ii. transferred the German portion of its international trade mark registrations, inter alia, number 216660 described as "Goldfischli package logo" and 237019 "GOLDFISCHLI" word to the applicants,

iii. limited the applicants' exploitation of the trade mark to the Federal Republic of Germany, and prohibited the export of items under licence without the opponents' written consent,

iv. Stated that a "special agreement" applied to Austria,

v. allowed for all of the opponents' claims under the contract to be settled by payment of the licence fees owed up to 21 March 1974, after which the applicants were free to dispose of, inter alia, the trade marks without restriction or encumbrance,

vi. states that the agreement ends on the last day for which licence fees are to be paid to the opponents (as in v above) after which both parties are free from the prohibition on competition, but restricting the applicants' use of the name GOLDFISCHLI to the Federal Republic of Germany, the opponents, everywhere else,

vii states that the agreement is subject to Swiss law.

41. The applicants' evidence includes a statement from Professor Dr Carl Baudenbacher, Chair of Private, Commercial and Business Law at the University of St Gallen, Switzerland, who is put forward by the applicants as providing expert evidence, albeit only in respect of Swiss law. The paper represents Professor Baudenbacher's legal opinion on the validity or otherwise of the agreement, and in respect of Swiss law it has not been disputed that his opinion should be considered to be of some authority. In his statement Professor Baudenbacher mentions several cases, including the *Ideal Standard* case (ECJ C-9/93 [1994] ECR 1-2789- para 22) (the *Ideal-Standard* case) the ECJ, in which was stated:

> "*National trade-mark rights are first of all territorial. The principle of territoriality, which is recognized under international treaty law, means that it is the law of the country where protection of a trade mark is sought which determines the conditions of that protection. Moreover, national law can only provide relief in respect of acts performed on the national territory in question.*"

42. So notwithstanding that the agreement is subject to Swiss law, the matter rightly falls to be determined by reference to the law, national or otherwise, prevailing in the United Kingdom. However, even in relation to the law as it stands in Switzerland, the results of Professor Baudenbacher's deliberations are not conclusive, standing at:

> "*On balance it is hard to predict a court's decision under Swiss contract law. The time factor is not crucial, standing by itself, whereas the key test of an excessive restriction under Article. 27. Para. 2 of the Swiss Civil Code is hardly supported by the facts. Yet, the time factor combined with a lack of the licensor's legitimate interest to uphold the pertinent obligation should be sufficient to tip the scale versus a finding of unconscionability*."

43. As Mr Baldwin pointed out, Professor Baudenbacher assumes that there is no need for the licensor to prevent the licensee from using the trade marks outside of Germany, but if only by the fact that this is just what the licensor is seeking, clearly is not the case. Whilst I note Professor Baudenbacher's evidence, and in particular the cases that he cites, I will go on to consider the matter afresh.

44. There are two aspects to the agreement to be considered; the wording and effect of the articles, and the assignment and effect of the trade mark rights.

45. Under the terms of article 3 of the agreement, the opponents transferred the German portion of its international trade mark registrations, inter alia, number 216660 described as "Goldfischli package logo" and 237019 "GOLDFISCHLI" word to the applicants. As Mr Edenborough pointed out, there was no "claw-back" provision on the conclusion of the agreement so the opponents must have been prepared to countenance the existence of other rights in the trade mark within the member states.

46. Whether being the owner of the trade mark within Germany could effectively preclude others from entering the applicants' market in competition appears to depend upon whether the interlopers were also an authorised user, such as a licensee in another EU state, or a third party with no connection to the rights to the mark within the EU. In the *Ideal-Standard* case, the ECJ took the following position in relation to goods put onto the market, inter alia, by consent of the trade mark holder:

> *"33 On the basis of the second sentence of Article 36 of the Treaty the Court has consistently held:*
>
> *"Inasmuch as it provides an exception to one of the fundamental principles of the common market, Article 36 in fact only admits of derogations from the free movement of goods where such derogations are justified for the purpose of safeguarding rights which constitute the specific subject-matter of this property.*

In relation to trade marks, the specific subject-matter of the industrial property is the guarantee that the owner of the trade mark has the exclusive right to use that trade mark, for the purpose of putting products protected by the trade mark into circulation for the first time, and is therefore intended to protect him against competitors wishing to take advantage of the status and reputation of the trade mark by selling products illegally bearing that trade mark.

An obstacle to the free movement of goods may arise out of the existence, within a national legislation concerning industrial and commercial property, of provisions laying down that a trade mark owner' s right is not exhausted when the product protected by the trade mark is marketed in another Member State, with the result that the trade mark owner can [oppose] importation of the product into his own Member State when it has been marketed in another Member State.

Such an obstacle is not justified when the product has been put onto the market in a legal manner in the Member State from which it has been imported, by the trade mark owner himself or with his consent, so that there can be no question of abuse or infringement of the trade mark.

In fact, if a trade mark owner could prevent the import of protected products marketed by him or with his consent in another Member State, he would be able to partition off national markets and thereby restrict trade between Member States, in a situation where no such restriction was necessary to guarantee the essence of the exclusive right flowing from the trade mark" (see Case 16/74 Centrafarm v Winthrop [1974] ECR 1183, paragraphs 7 to 11).

34 So, application of a national law which would give the trade-mark owner in the importing State the right to oppose the marketing of products which have been put into circulation in the exporting State by him or with his consent is precluded as contrary to Articles 30 and 36. This principle, known as the exhaustion of rights, applies where the owner of the trade mark in the importing State and the owner of the trade mark in the exporting State are the same or where, even if they are separate persons, they are economically linked. A number of situations are covered: products put into circulation by the same undertaking, by a licensee, by a parent company, by a subsidiary of the same group, or by an exclusive distributor.

35 There are numerous instances in national case-law and Community case-law where the trade mark had been assigned to a subsidiary or to an exclusive distributor in order to enable those undertakings to protect their national markets against parallel imports by taking advantage of restrictive approaches to the exhaustion of rights in the national laws of some States.

36 Articles 30 and 36 defeat such manipulation of trade-mark rights since they preclude *national laws which enable the holder of the right to oppose imports.*

37 In the situations described above (paragraph 34) the function of the trade mark is in no way called in question by freedom to import. As was held in HAG II: "For the trade mark to be able to fulfil [its] role, it must offer a guarantee that all goods bearing it have been produced under the control of a single undertaking which is accountable for their quality" (paragraph 13). In all the cases mentioned, control was in the hands of a single body: the group of companies in the case of products put into circulation by a subsidiary; the manufacturer in the case of products marketed by the distributor; the licensor in the case of products marketed by a licensee. In the case of a licence, the licensor can control the quality of the licensee' s products by including in the contract clauses requiring the licensee to comply with his instructions and giving him the possibility of verifying such compliance. The origin which the trade mark is intended to guarantee is the same: it is not defined by reference to the manufacturer but by reference to the point of control of manufacture (see the statement of grounds for the Benelux Convention and the Uniform Law, Bulletin Benelux, 1962-2, p. 36).

38 It must further be stressed that the decisive factor is the possibility of control over the quality of goods, not the actual exercise of that control. Accordingly, a national law allowing the licensor to oppose importation of the licensee' s products on grounds of poor quality would be precluded as contrary to Articles 30 and 36: if the licensor tolerates the manufacture of poor quality products, despite having contractual means of preventing it, he must bear the responsibility. Similarly if the manufacture of products is decentralized within a group of companies and the subsidiaries in each of the Member States manufacture products whose quality is geared to the particularities of each national market, a national law which enabled one subsidiary of the group to oppose the marketing in the territory of that State of products manufactured by an affiliated company on grounds of those quality differences would also be precluded. Articles 30 and 36 require the group to bear the consequences of its choice.

39 Articles 30 and 36 thus debar the application of national laws which allow recourse to trade-mark rights in order to prevent the free movement of a product bearing a trade mark whose use is under unitary control. The situation where unitary control of the trade mark has been severed following assignment for one or several Member States only.

40 The problem posed by the Oberlandesgericht' s question is whether the same principles apply where the trade mark has been assigned, for one or several Member States only, to an undertaking which has no economic link with the assignor and the assignor opposes the marketing, in the State in which he has retained the trade mark, of products to which the trade mark has been affixed by the assignee.

41 That situation must be clearly distinguished from the case where the imported products come from a licensee or a subsidiary to which ownership of the trade-mark right *has been assigned in the exporting State: a contract of assignment by itself, that is in the absence of any economic link, does not give the assignor any means of controlling the quality of products which are marketed by the assignee and to which the latter has affixed the trade mark.*"

47. So the position would seem to be that where a trade mark is (or has previously been) registered in common ownership in two or more EU states, and put into circulation in respect of the same goods by, or with the consent of the proprietor (or the predecessor in title) of that mark, the use of any national trade mark rights to prevent such goods from being exported and sold under the same trade mark in any of the other states covered by the unitary mark would be considered to be contrary to Articles 30 and 36 relating to the exhaustion of rights. However, a proprietor (or authorised used) who's trade is within the Common Market would be able to invoke his trade mark rights to prevent an unconnected third party from using his trade mark without being caught by the doctrine of the exhaustion of rights.

48. The goods sold by the licensor and the licensees under the GOLDFISCHLI name are produced to the same recipe and by the same process, and in my view should be considered to be the same goods. If only through this medium the licensor exercises control over the quality, but whether or not this is the case, the licensor is certainly capable of exercising such control through the agreement. It would therefore seem that the applicants could not use the trade mark registration as means of preventing a licensee from another member state from entering their market in Germany.

49. Turning to the agreement itself. There is no dispute that the agreement was freely entered into and the constraints that it may have placed upon the applicants, willingly accepted. The applicants are not trying to terminate or get out of the agreement; it had long since expired by the time that they came to make their application. The opponents contend that although the agreement was concluded in 1974, article 10 of the agreement continues to have effect. That article states that on termination of the agreement, both parties are freed from the prohibition on competition, but that under an open-ended condition that the applicants' use and other labelling rights in respect of GOLDFISCHLI would be restricted to Germany.

50. The potential consequences of article 10 must have been apparent to, and accepted by the applicants. It is not clear whether the applicants dispute that the agreement, having expired, continues to have any effect, or whether, as Mr Edenborough submitted, they rely on the contention that the agreement, at least that part of it that is said to prohibit the applicants from registering the trade mark in suit in the United Kingdom offends against Article 81 and so is void by the operation of Article 81(2). Article 81 reads as follows:

> "**1.** The following shall be prohibited as incompatible with the common market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the

common market, and in particular those which:

(a) directly or indirectly fix purchase or selling prices or any other trading conditions;

(b) limit or control production, markets, technical development, or investment;

(c) share markets or sources of supply;

(d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;

(e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

2. Any agreements or decisions prohibited pursuant to this Article shall be automatically void.

3. The provisions of paragraph 1 may, however, be declared inapplicable in the case of:

- any agreement or category of agreements between undertakings;

- any decision or category of decisions by associations of undertakings;

- any concerted practice or category of concerted practices,

which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which does not:

(a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;

(b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question."

51. Mr Edenborough submitted that the object of article 10 of the agreement was to prevent the applicants from trading in the "GOLDFISCHLI" products outside Germany, whilst allowing the opponents to trade within Germany. He considered that even if that were not the object of the article, it was the effect, and resulted in the prevention of competition which distorted and restricted competition, and consequently was contrary to Article 81, and in particular, subsection (b) that prohibits agreements that "limit or control production, markets, technical development, or investment".

52. That the agreement has expired would not, necessarily save it if it was found to be contrary to the provisions of Article 81. In the case of *EMI Records Limited v CBS United Kingdom Limited,* (ECJ Case 51/75), also cited by Professor Baudenbacher, the court considered whether an agreement no longer in force could still be found to be void, and went on to say:

> *"30. For Article 85 to apply to a case, such as the present one, of agreements which are no longer in force it is sufficient that such agreements continue to produce their effects after they have formally ceased to be in force.*
>
> *31. An agreement is only regarded as continuing to produce its effect if from the behaviour of the persons concerned there may be inferred the existence of elements of concerted practice and of coordination peculiar to that agreement and producing the same result as that envisaged by the agreement.*
>
> *32. This is not so when the said effects do not exceed those flowing from the mere exercise of the national trade mark rights."*

53. On the first question of whether the agreement still produces its effects. I take the view that this must be judged at, or certainly no later than the relevant date in these proceedings, for if it were later, by virtue of the fact that the filing of the trade mark application is contrary to an expressed provision of the agreement, the act of doing so could be said to establish that the agreement had ceased to have effect.

54. The applicants say that at the end of the 1970's they extended their trade mark registrations of GOLDFISCHLI to a few selected Eastern European countries, which at first sight would seem to be an indication that they considered the conditions of article 10 of the agreement restricting their trade to Germany no longer applied. However, the opponents say that they did so under an agreement and whilst an extension of trade beyond Germany is not the effect envisaged by article 10 of the expired agreement, the applicants did not appear to feel free to contravene the stipulations of that article other than with the expressed agreement of the opponents. Article 5 of the agreement restricted the applicants from exploiting, not only the trade mark, but also the recipe, process and design outside of Germany, and to that extent went beyond the effects flowing from the mere exercise of any national trade mark rights. The conclusion I reach is that even though it may have expired, if it is found to be contrary to the provisions of Article 81 when in force, it would still be so found.

55. Mr Baldwin mentioned the transfer of know-how under the agreement, a factor that can be taken into account in considering whether the agreement qualifies for an exemption under Article 81(3). In the case of *L.C. Nungesser KG and Kurt Eisle v Commission of the European Communities* (C-258/78) (the *Maize Seed* case), the ECJ considered the possible effects of granting of an exclusive licence, including whether the licence is "open" or "closed", saying:

> *"49 The first set of circumstances is described as follows: By licensing a single*

undertaking to exploit his breeders ' rights in a given territory , the licensor deprives himself for the entire duration of the contract of the ability to issue licences to other undertakings in the same territory. By undertaking not to produce or market the product himself in the territory covered by the contract the licensor likewise eliminates himself , as well as Frasema and its members , as suppliers in that territory .

50 Corresponding to that part of the statement of reasons is article 1(b) of the decision , which in its first and second indents declares the exclusive nature of the licence granted by the 1965 contract to be contrary to Article 85(1) of the Treaty in so far as it imposes: an obligation upon INRA or those deriving rights through INRA to refrain from having the relevant seeds produced or sold by other licensees in Germany, and an obligation upon INRA or those deriving rights through INRA to refrain from producing or selling the relevant seeds in Germany themselves.

51 The second set of circumstances referred to in the decision is described as follows: the fact that third parties may not import the same seed (namely the seed under licence) from other Community countries into Germany, or export from Germany to other community countries, leads to market sharing and deprives German farmers of any real room for negotiation since seed is supplied by one supplier and one supplier only.

52 That part of the statement of reasons is also reflected in Article 1(b) of the decision, which in its third and fourth indents declares the exclusive nature of the licence granted by the 1965 contract to be contrary to Article 85 (1) of the Treaty in so far as it imposes: an obligation upon INRA or those deriving rights through INRA to prevent third parties from exporting the relevant seeds to Germany without the licensee' s authorization for use or sale there, and Mr Eisele's concurrent use of his exclusive contractual rights and his own breeder's rights to prevent all imports into Germany or exports to other member states of the relevant seeds.

53 It should be observed that those two sets of considerations relate to two legal situations which are not necessarily identical. The first case concerns a so-called open exclusive licence or assignment and the exclusivity of the licence relates solely to the contractual relationship between the owner of the right and the licensee, whereby the owner merely undertakes not to grant other licences in respect of the same territory and not to compete himself with the licensee on that territory . On the other hand, the second case involves an exclusive licence or assignment with absolute territorial protection, under which the parties to the contract propose, as regards the products and the territory in question, to eliminate all competition from third parties, such as parallel importers or licensees for other territories."

56. In that case the ECJ found the agreement to be "open" and then went on to examine whether the exclusive nature of the licence had the effect of preventing or distorting competition within the meaning of article 85(1) of the treaty, and if that were found to be the case, whether the effects

were nonetheless acceptable for the purposes of encouraging product development or supply:

> "*55 In that respect the government of the Federal Republic of Germany emphasized that the protection of agricultural innovations by means of breeders ' rights constitutes a means of encouraging such innovations and the grant of exclusive rights for a limited period, is capable of providing a further incentive to innovative efforts.*
>
> *From that it infers that a total prohibition of every exclusive licence, even an open one , would cause the interest of undertakings in licences to fall away, which would be prejudicial to the dissemination of knowledge and techniques in the community.*
>
> *56 The exclusive licence which forms the subject-matter of the contested decision concerns the cultivation and marketing of hybrid maize seeds which were developed by INRA after years of research and experimentation and were unknown to German farmers at the time when the cooperation between INRA and the applicants was taking shape. For that reason the concern shown by the interveners as regards the protection of new technology is justified.*
>
> *57 In fact, in the case of a licence of breeders' rights over hybrid maize seeds newly developed in one member state, an undertaking established in another member state which was not certain that it would not encounter competition from other licensees for the territory granted to it, or from the owner of the right himself, might be deterred from accepting the risk of cultivating and marketing that product; such a result would be damaging to the dissemination of a new technology and would prejudice competition in the community between the new product and similar existing products.*
>
> *58 Having regard to the specific nature of the products in question, the court concludes that, in a case such as the present, the grant of an open exclusive licence, that is to say a licence which does not affect the position of third parties such as parallel importers and licensees for other territories, is not in itself incompatible with article 85(1) of the Treaty*."

57. I do not see that the nature of the goods, or that the commitment of resources by the applicants were such that it was necessary for the applicants to be granted complete territorial protection to ensure either technological development or to bring these goods to, or develop the market. The GOLDFISCHLI product is fairly simple, and although developed to a particular recipe and process, is not, I would say, on the cutting edge of innovation.

58. There is no evidence that explains why the opponents assigned their German GOLDFISCHLI trade marks to the applicants; it seems to me that they could have retained such rights and maintained them by virtue of the licensee's use. It may well be that the assignment in conjunction with the "exclusivity" of the licence agreement was seen as giving the licensee "belt and braces" protection against incursions by other traders.

59. The trade mark registration in Germany could be used by the applicants to protect their market from unconnected third-party intrusion, but under the doctrine of the exhaustion of rights it seems unlikely that they could be used to prevent the importation into Germany of GOLDFISCHLI products from another licensee within a member state of the Community. That is achieved by means of the restrictive clauses. Article 6 of the agreement expressly states that the licensor would not "manufacture or cause to be manufactured and not to distribute or cause to be distributed spiced or sweet small baked goods in fish form either directly or indirectly in the Federal Republic of Germany, and also oblige its licensees in other countries not to import such items into the Federal Republic of Germany" thus guaranteeing the exclusivity of the applicants' German market. The other side of the coin is contained in articles 5 and 10 of the agreement, which prohibits the applicants from selling the GOLDFISCHLI product outside of Germany, in direct competition with the opponents or any of its licensees, both during the life of, and after the conclusion of the agreement. The agreement should therefore be considered, in its effect, to be closed.

60. Without the agreement the parties were potentially competitors. However, whilst in force the agreement insulated the applicants trade within Germany from any competition from the licensor, and being exclusive, also from any GOLDFISCHLI licensees in another EU state. The wording of Article 10 of the agreement would appear to allow for competition between the licensee and licensor once the agreement had ended, but the applicants were effectively tied in an open-ended condition that restricted their trade to Germany. This effectively restricted any competition to within Germany and kept the applicants out of any other market, in perpetuity, even if the opponents had not traded there themselves or through a licensee. In the *Consten and Grundig* joined cases 56, 58/64 (1966 ECR 289) the ECJ considered the effect of very similar circumstances to those in this case:

> *"First, Grundig undertook not to deliver even indirectly to third parties products intended for the area covered by the contract. The restrictive nature of that undertaking is obvious if it is considered in the light of the prohibition on exporting which was imposed not only on Consten but also on all the other sole concessionaires of Grundig, as well as the German wholesalers ."*

61. In the case in hand, the opponents (licensor) granted the applicants an exclusive license within Germany, whilst placing a prohibition on them exporting.

> *"Secondly, the registration in France by Consten of the GINT trade mark, which Grundig affixes to all its products, is intended to increase the protection inherent in the disputed agreement, against the risk of parallel imports into France of Grundig products, by adding the protection deriving from the law on industrial property rights . Thus no third party could import Grundig products from other member states of the Community for resale in France without running serious risks.*"

62. Whether or not the assignment of the GOLDFISCHLI trade marks by the licensor to the licensee were capable of preventing parallel imports into Germany, they were likely to act as a

deterrent.

> *"The situation as ascertained above results in the isolation of the French market and makes it possible to charge for the products in question prices which are sheltered from all effective competition. In addition, the more producers succeed in their efforts to render their own makes of product individually distinct in the eyes of the consumer, the more the effectiveness of competition between producers tends to diminish. Because of the considerable impact of distribution costs on the aggregate cost price, it seems important that competition between dealers should also be stimulated. The efforts of the dealer are stimulated by competition between distributors of products of the same make. Since the agreement thus aims at isolating the French market for Grundig products and maintaining artificially, for products of a very well-known brand, separate national markets within the Community, it is therefore such as to distort competition in the Common Market."*

63. The agreement isolated the German market, and by a prohibition on exporting, presumably the markets of the other licensees, from all effective competition, and maintained separate national markets within (and outside of) the Common Market. As such the agreement must have the same effect as in the Grundig case.

> *"It was therefore proper for the contested decision to hold that the agreement constitutes an infringement of article 85(1). No further considerations, whether of economic data (price differences between France and Germany, representative character of the type of appliance considered, level of overheads borne by Consten) or of the corrections of the criteria upon which the Commission relied in its comparisons between the situations of the French and German markets, and no possible favourable effects of the agreement in other respects, can in any way lead, in the face of the abovementioned restrictions, to a different solution under article 85(1)."*

64. Mr Baldwin roundly dismissed the applicants' assertions that the agreement would be found to be void under Article 81(2), referring in particular to it not having been established that if the agreement had an effect on competition, that this would be of a substantial nature. As can be seen in the preceding paragraph, once an agreement is found to be an infringement of Article 81(1), it is not necessary to consider economic data even where there may be favourable effects resulting from the agreement. But even if that were not the case, I do not consider that my findings would be any different. In *Ferriere Nord SpA v Commission of the European Communities. Case* (C-219/95 P), a contested decision of the Court of First Instance of the EC First Chamber, the ECJ said the following:

> *"18 The appellant complains that the Court of First Instance merely held in paragraph 32 that it is sufficient that the agreements to which it was a party were capable of actually affecting trade in order for them to be contrary to Article 85 of the Treaty, whereas the Court of First Instance should also have established in what respect those*

agreements hampered trade between Member States. In its view, the agreements at issue were not capable of actually affecting trade between Italy and France.

19 In this connection, it must be held that the Court of First Instance rightly pointed out in paragraph 32 of the contested judgment that, according to Case 19/77 Miller v Commission [1978] ECR 131, paragraph 15, Article 85(1) of the Treaty does not require that agreements referred to in that provision have actually affected trade between Member States, which, moreover, is difficult to prove to a sufficient legal standard in most cases, but requires that it be established that the agreements are capable of having that effect.

20 Furthermore, it has been consistently held that in order that an agreement, decision or concerted practice may affect trade between Member States it must be possible to foresee with a sufficient degree of probability on the basis of a set of factors of law or fact that it may have an influence, direct or indirect, actual or potential, on the pattern of trade between Member States such as to give rise to the fear that the realization of a single market between Member States might be impeded (see Case 54/65 Sociéétéé Technique Minièère v Maschinenbau Ulm [1966] ECR 235 and Joined Cases 209/78 to 215/78 and 218/78 Van Landewyck v Commission [1980] ECR 3125, paragraph 170).

21 It follows that the second limb of the first plea must also be rejected.”

65. I have no evidence of the trade or market for the goods in question, but as shown in the above cases this does not prevent me from finding the agreement to be capable of adversely affecting trade and contrary to Article 81(1). In this case the agreement put in place a sole source of supply of GOLDFISCHLI goods in member states, and in the case where the opponents neither traded nor had a licencee, effectively removed all sources of supply. I would say that this should be viewed as a substantial effect. I therefore agree with Mr Edenborough’s submission. The result of granting an exclusive territorial right to the use of the mark (both in its terms and by the assignment of the trade marks) and by restricting outward sales, the agreement restricted competition and in its effect conferred upon the licensee absolute territorial protection. I therefore conclude that the agreement should be considered as contrary to Article 81(1) and void under the provisions of Article 81(2). The interrelation between the operative articles of the agreement are such that, beyond those I have already cited I do not see it as necessary to make specific mention of the articles that I consider to be contrary to Article 81(1).

66. Having reached the position that it was reasonable for the applicants to see the way clear to register GOLDFISCHLI, and that the agreement should not be held to provide any barrier, I find the ground under Section 17(1) to be unfounded and is dismissed accordingly. There is no evidence that the applicants do not intend to use the mark applied for as a badge of origin for the goods covered by the application, and in view of my findings above, I believe it must follow that the ground under Section 68(1) also fails.

67. Turning next to Section 11 of the Act. The opponents objection under this Section has three strands; copyright, and to the agreement itself which they contend has the effect of estopping the applicants from asserting any trade mark rights against the opponents, and also precludes the applicants from using the mark applied for in the United Kingdom. Section 11 of the Act reads as follows:

> "**11**.- It shall not be lawful to register as a trade mark or part of a trade mark any matter the use of which would, by reason of its being likely to deceive or cause confusion or otherwise, be disentitled to protection in a court of justice, or would be contrary to law or morality, or any other scandalous design."

68. The established test for objection under Section 11 is set down in *Smith Hayden & Co Ltd's application* [Vol 1946] 63 RPC 101 as adapted by Lord Upjohn in the *Bali* trade mark case 1969 RPC 496. Adapted to the matter at hand the test reads as follows:

> "Having regard to the user of the opponent's mark GOLDFISCHLI is the tribunal satisfied that the mark applied for, the applicant's mark GOLDFISCHLI and device, if used in a normal and fair manner in connection with any goods covered by the registration proposed will not be reasonably likely to cause deception and confusion amongst a substantial number of persons?"

69. The test requires me to consider the user established by the respective parties at the relevant date, that is, the date of the application for registration of the trade mark under opposition. This is a matter that can quite easily be disposed of; the opponents have no use, and consequently, I do not see on what basis I can find that use of the mark applied for in connection with the goods covered by the application will be likely to cause deception and confusion.

70. On the second part of Section 11. Mr Baldwin argued that by virtue of the agreement the applicants had effectively assigned all rights in the GOLDFISCHLI name to the opponents, other than in Germany, or had consented to the opponents having rights everywhere other than Germany. As I see it the agreement set in place a trading relationship that defined and acknowledged the respective markets and apportioned the opponents' existing intellectual property rights accordingly. I cannot see how the applicants could have assigned or consented to the opponents having rights anywhere, let alone everywhere outside of Germany; they only possessed the rights granted by the agreement or that they acquired through their own use. Accordingly, apart from in respect of Germany (and Austria) the applicants had no rights to assign or any basis that put them in a position of being able to give consent.

71. I do not consider that the agreement, in itself, endows the opponents or indeed the applicants with any rights in the United Kingdom, common law or otherwise, or that they could successfully use it as a means of preventing the use or registration of any trade mark by a third party, and setting aside any possible "contractual" restrictions that may bind them (which I have already determined to be non-existent) by the applicants. I therefore dismiss the grounds under Section

11 of the Act.

72. There remains the matter of the Registrar's discretion. Having reviewed the evidence and considered the submissions of counsel, I can see nothing that persuades me that I should exercise discretion against the applicants.

> "**17.-(2)** Subject to the provisions of this Act, the Registrar may refuse the application, or may accept it absolutely or subject to such amendments, modifications, conditions or limitations, if any, as he may think right."

73. The opposition having failed on all grounds the applicants are entitled to a contribution towards their costs. I order that the opponents should pay the applicants the sum of £835, this sum 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 10th Day of December 2002

M Foley
For the registrar