

TRADE MARKS ACT 1994

**In the matter of 32 registrations of trade marks
consisting of, or including, the letters MG
in the name of Nanjing Automobile (Group) Corporation**

And

**Applications by MG Sports and Racing Europe Limited
for rectification of the register in respect of registration No.2296016
and revocation of the remaining marks**

The Issue

1. On 5 September 2008, Nanjing Automobile (Group) Corporation (“NAC”) applied for a stay of the proceedings launched by MG Sports and Racing Europe Limited (“the applicant”) on 22 August 2007 for the rectification or revocation of the 32 trade marks set out in annex A (the MG marks).

2. The issue to be decided is the Registrar’s response to that application for a stay of the proceedings, including any question as to costs.

Background

3. The applicant’s case in the substantive proceedings is, in summary, that by virtue of a Sale of Assets Agreement made in 2007 between itself and the liquidators of the former MG Rover Group and a subsidiary called MG Sports and Racing Limited, it is the true owner of the trade mark MG X Power. Consequently, the applicant says that:

- i) The register should be rectified under s.64 of the Trade Marks Act 1994 (“the Act”) to show that the applicant is the proprietor of trade mark No. 2296016 (MG X Power);
- ii) The 31 other UK registrations in the name of NAC, which consist of, or include, the letters MG, should be revoked under s.46(1)(d) of the Act on the ground that they are liable to mislead the public.

4. As best as I can understand it, the basis for the second claim is that NAC’s failure to secure ownership of the trade mark MG X Power, and the goodwill associated with the business known as MG Sports and Racing Limited, means that the other MG marks are now inherently deceptive in that they no longer distinguish the goods or services of one undertaking.

5. NAC defends the claims on the grounds that by virtue of an agreement made in 2005 with the administrators of the former MG Rover Group, and a related company called Powertrain Limited, it became the owner of all the MG marks and the goodwill in the former MG Rover business, including any goodwill associated with MG Sports and Racing Limited. Consequently, the application to rectify the register with regard to the ownership of registration No. 2296016 should be rejected, and with it any possible basis for the applications to revoke the other MG marks.

6. The parties proceeded to file evidence in the matter, at the heart of which was copies of the 2005 and 2007 agreements referred to above.

7. On 10 July 2008 the Registrar wrote to the parties:

- i) Proposing that the proceedings be consolidated;
- ii) Giving the parties until 21 August to complete the evidence; and
- iii) Giving the parties provisional notice that a hearing of the matter was scheduled for 30 September.

8. On 25 July 2008, a response was received on behalf of NAC agreeing to the proposed consolidation and to the hearing date of 30 September.

9. On 12 August 2008, NAC completed its evidence.

10. On 21 August 2008, the applicant filed the final piece of evidence in the proceedings in the form of a 17 page witness statement by its Managing Director, Mr W R Riley. This evidence was filed in reply to NAC's evidence and amounted to a critique of it.

11. On 2 September 2008, the Registrar gave the parties formal notice that the matter would be heard on 30 September.

12. On 5 September, the Registrar was advised that NAC had commenced proceedings against the applicant in the High Court alleging infringement of the MG marks. NAC anticipated that the applicant would raise the ownership of trade mark registration 2296016 and the continuing validity of the other MG marks as a defence to the infringement proceedings. This would mean that the same matters would be the subject of proceedings in the Registry and in the High Court. NAC therefore asked for the Registry proceedings to be stayed pending the outcome of the High Court action.

The Hearing and subsequent events

13. The applicant resisted this request and the question of a stay was therefore considered as a preliminary matter at the hearing on 30 September, at which NAC was represented by Mr Richard Hacon, of Counsel, instructed by Pinsent Masons, and the applicant was represented by Mr Mark Engelman, of Counsel, instructed by Decisis Intellectual Property. Prior to the hearing I received skeleton arguments from Counsel addressing both the application for a stay and the substance of the matter.

14. After hearing the parties, I indicated that:

- i) The request for a stay was refused;
- ii) I was minded instead to exercise the Registrar's discretion under s.46(4)(b) and s.64(2)(b) and refer the rectification and revocation proceedings to the court;

- iii) I would receive a witness statement from NAC explaining the circumstances which resulted in the High Court proceedings being commenced 3 days after the appointment of a hearing date in the Registry proceedings;
- iv) I would take this into account in deciding whether the applicant is entitled to an immediate award of costs in respect of the Registry proceedings.

15. NAC was content with a reference. The applicant was not. As a reference was a different outcome to that sought by NAC, I gave the applicant until 23 October to submit any different or additional arguments (as compared to those which it had already advanced as to why a stay should be refused) as to why a reference was inappropriate.

16. I duly received a witness statement dated 22 October 2008 from Mr Cheng Cai of NAC explaining the timing of the High Court proceedings. Cheng Cai is a lawyer employed by NAC. He says that NAC received a letter from the applicant's solicitors in June 2007 which stated that a) the applicant was not trading under the name MG, and b) so far as they were aware, the applicant had no plans to manufacture vehicles bearing the MG brand. This exchange appears to have been sparked off by press reports that the applicant was to re-commence production of MG cars in Blackpool.

17. NAC first became aware that the applicant was using the MG mark when the applicant took part in an auto show in November 2007, at which it displayed cars bearing the MG mark. The same occurred when the applicant attended another auto show in January 2008. Consequently, on 21 February 2008 NAC's solicitors sent a letter to the applicant's solicitors requiring written undertakings from the applicant as to the use (or more accurately, non-use) of the MG mark under threat of infringement proceedings. The applicant's solicitors replied asserting their client's ownership of the MG X Power mark, referring to the proceedings it had started to rectify the register in respect of the ownership of that mark, and revoke the registration of NAC's other MG marks. Further, the reply indicated that the applicant was "in the throes of launching the MG SV roadster".

18. Later, on 30 April 2008, Mr He Xiaoqing, the new Chairman and President of NAC UK met with NAC's lawyers to consider what to do about the applicant's activities in the light of NAC's own plans to resume production of MG cars later in 2008. It was decided to seek a settlement of the matter and a meeting took place with Mr Riley on 15 May 2008. Initially it seemed to NAC that a settlement was possible, but by the end of June NAC had revised that assessment and accepted

that the applicant, and Mr Riley, would not cease their use of the MG marks without an injunction from the Court. Consequently, it was decided at the beginning of July 2008 to initiate infringement proceedings against the applicant and Mr Riley. Preparations for this action continued through July and August.

19. Mr Cheng Cai concludes that the delay in bringing the High Court proceedings was the result of efforts to avoid litigation with the applicant rather than an attempt to delay or avoid the Registry proceedings.

20. The applicant's solicitors wrote on 23 October a) providing some additional arguments as to why a reference was inappropriate, b) pointing out that NAC had had seven earlier opportunities going back to 2007 to launch infringement proceedings before it actually did, c) providing a copy of the defence filed to the High Court action, and d) asking for an award of costs on an indemnity basis equivalent to half to two thirds of the applicant's costs so far in the proceedings, equivalent to £40,000-£60,000.

21. The applicant submits that the level of cost should not be considered high given that the conflict concerns a 100 year old brand and a factual matrix of high complexity.

Whether there should be a reference

22. It is convenient at this point to return to the reasons why I refused NAC's application for a stay of proceedings. Mr Hacon's case was concise and can be seen from the following extract from his skeleton.

"The two leading authorities on whether a stay should be granted in circumstances such as the present ones are *Sears plc v Sears, Roebuck & Co* [1993] RPC 385 and *Genius Trade Mark* [1999] RPC 741.

The following principles emerge from those authorities:

1) If there are two courts faced with substantially the same question or issue, that question or issue should be determined in only one of those courts, and the court will if necessary stay one of the actions.

(Quoted by Lindsay J in *Sears* at p.388, lines 32-35, and taken from *Halsbury's Laws* and *Thames Launches v Trinity House* [1961] Ch 197. See also Lindsay J's reference to the Court of Appeal's ruling in *Airport*

Restaurants Ltd v Southend-on-Sea Corp [1960] 2 All ER 888, at p.390, lines 31-33).

2) In deciding questions relating to a multiplicity of litigation, complete identity between any two proceedings is not essential; nor is it essential for one to be determinative of the other. (Lindsay J in *Sears* at p.391, lines 12-16)

3) The possibility of conflicting decisions of the Registry and the High Court are to be avoided. (Lindsay J in *Sears* at p 393, lines 36-42).

4) A party is not free to pick one tribunal over another. Under s.49(2) of the Supreme Court Act 1981 the court must itself take an interest to avoid a multiplicity of proceedings. (Lindsay J in *Sears* at p.395, lines 44-49.)

This is a more clear-cut case than that in either *Sears* or *Genius TM*. The High Court would be ruling on issues identical to those in the present proceedings. In the High Court proceedings there would be further issues, e.g. those arising under the allegation of passing off and those concerned with the personal liability of Mr Riley for the infringements of MGSREL. But that is neither here nor there”.

23. Mr Engelman drew my attention to a number of authorities that showed that, as one would expect, the onus is on the person asking for a stay to justify it. In particular, my attention was drawn to *Wakefield v Channel Four Television Corp* [2005] EWHC 2410, which apart from making this general point, also recognises that it is necessary to consider whether a stay would impinge upon the litigant’s rights to have the issues determined by a court within a reasonable time in accordance with Article 6 of the Convention on Human Rights.

24. He also drew my attention to *Berlei(UK) Ltd v Bali Brassiere Co Inc. (No.2)* [1970] FSR 373, in which the High Court refused to stay trade mark infringement proceedings which were concurrent with applications by the defendant to register its own allegedly infringing trade marks on the grounds that a) the claimant could chose his forum, and b) the applicant for the stay failed to show the necessary vigour in the Registry proceedings to commend a stay.

25. Further, he pointed out that where stays had been granted, such as in the cases relied upon by Mr Hacon, the claimant had started both proceedings; one in the Registry and one in the High Court. Here the applicant had commenced the first proceedings in the Registry and NAC commenced the later proceedings in the High Court. In Mr Engelman’s submission, this distinguished NAC’s case from the authorities relied upon in support of it.

26. I took the view that the starting point should be the need to avoid a multiplicity of proceedings and potentially conflicting decisions on the same issues from the court and the Registrar. It seemed inevitable that the applicant would rely on the same matters as a defence to the infringement proceedings as it relied upon before the Registrar in support of its applications for revocation/rectification of the MG marks. This was borne out by the defence subsequently filed in the High Court action. There

was therefore a real possibility that two tribunals would be seized of the same issue. This was a highly relevant although not determinative factor.

27. This factor needed to be balanced against the possibility of prejudice to the applicant, including the risk of an undue delay in concluding its applications. On analysis, it seemed to me that the risk of an inordinate delay was low. My initial assessment of the applicant's case was that it was weak. Nevertheless, given the seriousness of the commercial issues to the parties, there was a significant likelihood of an appeal against whatever decision the Registrar eventually came to. If the appeal was brought to the High Court it would most likely be heard alongside NAC's infringement claim. In that event, the benefit of continuing with the Registry proceedings, in terms of quicker determination of the matter, would be largely illusory. Mr Engelman pointed out the possibility that, if his client lost before the Registrar, it might wish to bring an appeal to an Appointed Person. That possibility may have enhanced the case for a continuance of the proceedings on the basis of speed, but it added to the concern about the same key issue arising before different decision makers.

28. I took due notice of the points made in the *Berlei* case, but I also noted that in refusing the stay in that case, the court had concluded that its judgment in the infringement proceedings would not be determinative of the Registry proceedings because of a difference in relevant dates and time periods. In this case a decision on the ownership of the MG X Power mark as a result of the 2005 and 2007 agreements is likely to be determinative of the Registry proceedings and also of this aspect of the applicant's defence in the High Court. It is true that the applicant has raised further defences to the High Court action, but that does not remove the overlap between the main issue before the Registrar and that before the High Court.

29. There therefore seemed to me to be insufficient justification for continuing with the revocation and rectification proceedings in the Registry. On the other hand, the disadvantage of granting the stay was that taking that course might have made it necessary to formally re-commence and conclude the Registry proceedings on the conclusion of the High Court proceedings. Further, it was possible that the court would determine the matter only to the extent necessary to deal with the infringement claim, which concerns the use of the MG marks for motor vehicles, without formally determining the matter with regard to the registration of the MG marks for the other goods and services for which they are registered. That would unnecessarily delay the determination of some of the issues. It would plainly be preferable for all of the applicant's claims and counterclaims to be determined together. I therefore proposed to exercise the Registrar's discretion so as to refer the Registry proceedings to the court.

30. The letter filed on 23 October on behalf of the applicant made two additional points in opposition to a reference. The applicant says that NAC lacks the necessary *locus standi* to request a reference. That is a non-point for two reasons. Firstly, I have proposed a reference on behalf of the Registrar and there is no question that the Registrar has the power to do so. Secondly, where the Registrar has a discretionary power it is always open to an interested party to invite him to exercise it. The applicant's other point is that a reference will leave the progress of the High Court proceedings in NAC's hands, which it could use to delay a determination of the

applicant's applications. Given the commercial importance of the issue to NAC I think that it is unlikely that it would want to delay the determination of the matter. In any event, the point can be covered by NAC providing the Registrar with an undertaking to pursue the referred High Court proceedings with vigour and urgency and to avoid any unnecessary delays.

31. Subject to that, I will refer the revocation and rectification proceedings to the High Court.

Costs

32. The Registrar has a wide discretion as to costs, but must act judicially when making such decisions: *Rizla's Application* [1993] RPC 365.

33. Costs normally follow the event. The merits of the applications and matters such as whether one side or other has exaggerated its case will now fall to be determined by the judge who hears the case. I would therefore only be justified in making an award of costs at this stage if I was persuaded that a party had acted unreasonably.

34. As is obvious from my request for an explanation from NAC about the timing of its infringement proceedings, I was concerned that NAC might have unreasonably delayed bringing infringement proceedings thereby adding unnecessarily to the applicant's costs of prosecuting the applications. However, I find that Cheng Cai's explanation of the delay provides a satisfactory answer to my concern that the timing of the infringement proceedings was more than coincidental with the appointment of the hearing in the Registry.

35. There is, however, one aspect of NAC's conduct which I regard as unreasonable. According to Cheng Cai, NAC decided to initiate infringement proceedings against the applicant at the beginning of July 2008. This created the possibility of the same issue coming before different tribunals, which was the basis for NAC's subsequent application for a stay. However, the request for the stay of the Registry proceedings was not filed for another two months, on 5 September 2008. In the intervening period NAC accepted a date for the hearing of the Registry proceedings and filed further evidence in those proceedings. The applicant also filed its evidence in reply and was caused to expend costs in preparing to argue the substance of the applications on 30 September. In this connection, I note that just over half of Mr Engelman's skeleton argument was directed at the substantive issues in the case. None of this would have been necessary if NAC had made its request for a stay within a reasonable period of time from the making of its decision to initiate infringement proceedings.

36. I will therefore award the applicant the *reasonable* cost of its evidence-in-reply and for the preparation of a skeleton argument for the hearing on 30 September insofar as that covered the substantive issues in the proceedings. I invite the applicant to provide copies of the relevant bills of costs within the next 10 days.

37. I should make it clear that I am not envisaging an award of costs of anything approaching the £40-60k sought by the applicant, which appears to me to be a

staggeringly high figure for these applications given the limited evidence filed so far in these proceedings.

Conclusion

38. NAC should provide the undertaking referred to in paragraph 29 above within 10 days of the date of this conditional decision.

39. If the applicant wishes to pursue its claim for an immediate award of costs, it should within the same period provide copies of the bills (or relevant parts of bills) for the activities described in paragraph 35 above.

Dated this 12th day of November 2008

Allan James

For the Registrar

Annex A

1. Trade Mark: **“MG X POWER”**
Registration No: 2296016
Rectification No: 83154

2. Trade Mark: **“MG”** (Badge)
Registration No: 1511445
Revocation No: 82963
3. Trade Mark: **“MG”** (Badge)
Registration No: 2154382
Revocation No: 82986
4. Trade Mark: **“MG”** (Badge) (series of two marks)
Registration No: 2009494
Revocation No: 82987
5. Trade Mark: **“MG”** (Badge) (series of three marks)
Registration No: 2311308
Revocation No: 82988
6. Trade Mark: **“MG”**
Registration No: 1284198
Revocation No: 82989
7. Trade Mark: **“MG”** (Badge)
Registration No: 1511446
Revocation No: 82990
8. Trade Mark: **“MG”** (Badge)
Registration No: 1511450
Revocation No: 82991
9. Trade Mark: **“MG EXPRESS”**
Registration No: 2320793
Revocation No: 82992
10. Trade Mark: **“MG LIFE’S TOO SHORT NOT TO”**
“MG LIFE IS TOO SHORT NOT TO”
Registration No: 2314255
Revocation No: 82993
11. Trade Mark: **“MG”**
Registration No: 2067055
Revocation No: 82995

12. Trade Mark: **"MG"** (Badge)
Registration No: 490090
Revocation No: 82996
13. Trade Mark: **"MG"** (Badge)
Registration No: 659592
Revocation No: 82997
14. Trade Mark: **"MG"** (Badge)
Registration No: 659591
Revocation No: 82998
15. Trade Mark: **"MG"** (Badge)
Registration No: 499386
Revocation No: 82999
16. Trade Mark: **"MG"** (Badge)
Registration No: 1283661
Revocation No: 83000
17. Trade Mark: **"MG CARS"**
"MG CAR"
"MG"
Registration No: 2154358
Revocation No: 83001
18. Trade Mark: **"MG"**
Registration No: 2311312
Revocation No: 83002
19. Trade Mark: **"MG"** (Badge) (series of two marks)
Registration No: 2067053
Revocation No: 83003
20. Trade Mark: **"MG"** (Badge)
Registration No: 1511448
Revocation No: 83004
21. Trade Mark: **"MG"** (Badge)
Registration No: 1511447
Revocation No: 83005
22. Trade Mark: **"MG"** (Badge) (series of two marks)
Registration No: 2104403
Revocation No: 83006

23. Trade Mark: **"MG"** (Badge)
Registration No: 1511449
Revocation No: 83007
24. Trade Mark: **"MG"** (Badge)
Registration No: 490091
Revocation No: 83008
25. Trade Mark: **"MG"** (Badge) (series of two marks)
Registration No: 1538064
Revocation No: 83009
26. Trade Mark: **"MG"** (Badge) (series of two marks)
Registration No: 2002422
Revocation No: 83010
27. Trade Mark: **"MG"**
Registration No: 2131546
Revocation No: 83011
28. Trade Mark: **"MG"** (Badge)
Registration No: 1254349
Revocation No: 83012
29. Trade Mark: **"MG"** (Badge)
Registration No: 1511444
Revocation No: 83013
30. Trade Mark: **"MG"** (Badge)
Registration No: 520176
Revocation No: 83014
31. Trade Mark: **"MG MAGNETTE"**
Registration No: 535521
Revocation No: 83015
32. Trade Mark: **"MG"**
Registration No: 1031424
Revocation No: 83016