

O-195-13

TRADE MARK ACT 1994

IN THE MATTER OF REGISTRATION NO 2496642
STANDING IN THE NAME OF eCUBE SOLUTIONS, LLC

AND

AN APPLICATION FOR A DECLARATION OF INVALIDITY THEREOF
UNDER NO 83716
BY UNIVERSAL MASTER PRODUCTS LTD

Background

1. Registration No 2496642 is for the trade mark ECUBE which was originally applied for in the name of eCube Distribution Limited (“EDL”) and now stands in the name of eCube Solutions LLC (“ESL”). It was applied for on 3 September 2008 and was registered on 13 March 2009. The mark is registered in respect of the following goods:

Temperature mimicking sensors for use in refrigerating apparatus; energy saving devices for refrigeration apparatus, namely temperature mimicking devices which mimic the temperature of food in a refrigeration system and reduce the effects of air temperature fluctuations on the refrigerator control thermostat; parts and fittings for the aforesaid goods.

2. On 11 March 2010, Universal Master Products Limited (“UMP”) filed an application to declare the registration invalid. UMP relies on the two following grounds:

- Under section 3(6) of the Act. UMP claims that the registration was applied for in bad faith because EDL knew and had signed a written agreement acknowledging that UMP owned the rights in the mark;
- Under section 5(4)(a) of the Act on the grounds of passing off based on use of the mark eCube by UMP since 2004.

3. ESL, having taken an assignment of the registration on 12 May 2010, filed a counterstatement on 25 May 2010 along with an addendum filed on 10 August 2010 which was accepted into the proceedings. ESL denies both of the grounds of invalidation.

4. Both parties filed evidence as well as written submissions and the matter came before me for hearing on 20 March 2013. ESL was represented by Mr Michael Edenborough Q.C. appointed by Scott & York, its legal representatives in these proceedings. UMP was represented by Mr Max Stacey of Baron Warren Redfern.

The evidence

5. The following evidence was filed:

UMP’s evidence in chief

- Witness statement dated 6 June 2011 by James Maxwell Stacey, Trade Mark Attorney and Partner in Baron Warren Redfern;

ESL’s evidence

- Witness statement dated 4 August 2011 by Scott Berman, Managing Director of EDL;
- Witness statement dated 26 August 2011 by Tom O’Neill a Director of ESL;

- 2nd Witness statement of Tom O'Neill dated 1 September 2011

UMP's evidence in reply

- 2nd Witness statement of James Maxwell Stacey dated 28 November 2011;
- Witness statement dated 5 February 2012 by Guy Lamstaes, CEO of UMP;
- Witness statement dated 3 February 2012 of Andre Lamstaes, Director of UMP.

6. In addition, Guy Lamstaes, Andre Lamstaes and Scott Berman were cross examined on their written evidence.

UMP's evidence in chief

7. In his evidence, Mr Stacey states that the content of his witness statement comes from materials, data and information supplied by Messrs Guy and Andre Lamstaes. He states that at the filing date of the mark the subject of these proceedings, UMP and EDL were parties to a live distribution agreement. Mr Stacey states that under the terms of the agreement, EDL was to be the distributor of UMP's products with the right to resell them under UMP's own trade marks; all rights to UMP's trade marks were to remain with UMP and, on termination of the agreement, EDL was to cease the use of the trade marks and any other similar mark.

8. Exhibit JMS2 is a copy of the agreement. It consists of 5 pages and bears the heading "Master Distribution Agreement, eCUBE DISTRIBUTION LTD COMMERCIAL TERMS". It is dated 20 April 2007 and the parties to it are shown to be UMP (Contact Guy Lamstaes) and EDL ("the Distributor") (contact Eddie Saunders) and both men have signed the document. Whilst, at paragraph A, the agreement states that EDL has "the right to resell the Product under UMP's trademarks or subregistration to Customers and potential Customers", the document does not specify what those trade marks might be.

9. Attached to and referred to within the body of the agreement are a number of other documents which are said, at paragraph H, to be "made as part of this Agreement". The "conditions" document consists of 18 pages and has a number of references to trade marks.

- At paragraph 8(a) it states that the "Distributor may re-package or re-label the Product, or sell the Product under UMP's trademarks".
- At paragraph 8(f), the document states that "UMP shall maintain their existing patent and trade mark and other intellectual property rights (including without limitation those set out in Exhibit C)". I shall come back to this in due course.
- At paragraph 12(f) it states that "UMP is the sole owner of the entire right, title and interest in and all trademarks and trade names under which the Product may from time to time be sold to the Distributor (the "Trademarks"). The Distributor shall promptly notify UMP of any infringement of the Trademarks

which comes to its notice. The Distributor may use the Trademarks under which the Product are sold solely in a manner which is incidental to the Distributor's role as supplier and promoter of the Product".

- At paragraph 12(g) it states "The Distributor shall comply fully with all reasonable requirements which UMP shall impose in connection with use of the Trademarks. Except to the extent necessary for the sell-off of any Product in the Distributor's possession or which the Distributor has already ordered, upon expiration or termination of this Agreement, the Distributor shall immediately cease to use in any manner the Trademarks, or any similar trademark or name, or combination thereof with other marks or names, as well as all package designs and trade materials associated with the Product".
- At paragraph 13(f) it indicates that on termination of the agreement "all licences granted to the Distributor in respect of use of the name of the Product, any trademarks and patents in respect of use of the name of the Product, any trademarks and patents in respect of the Product and the right to sell and re-sell the Product (other than to UMP, subject to clause 13(g)(ii)) shall be revoked".

10. Whilst there are, therefore, a number of references in this document to "trademarks", nowhere in it is any specific trade mark(s) identified as such.

11. Exhibit A to the agreement consists of 3 pages. It is headed "Products & Prices". Underneath this heading is written "eCube-£9 (excluding VAT) per eCube". Page 2 of this document is headed "Specification of the Product" and underneath this is written "eCube, Description" and the following text begins "eCube is an inner enclosure..." The document indicates that the territory covered by the agreement is "the World (to include both Internet Sales and all other sales)".

12. Exhibit B to the agreement consists of 12 pages. This document is entitled "Campden and Chorleywood Report Description on Endocube". It is said to be "an evaluation of Unicair Endocube" and indicates that it was commissioned by Guy Lamstaes and is dated August 2001. Throughout the document, there are several references to "Unicair Cube" and "Cube". There is no mention of eCube.

13. Exhibit C to the agreement and referred to in paragraph 9 earlier, consists of a single page. It is entitled "Patent list for Endocube (eCube) and, as its title indicates, lists various patents in a number of jurisdictions. No trade marks are listed.

14. Also with JMS2 and headed "Exhibit D" is a copy of what Mr Stacey states is "information on agreements entered into by [UMP] prior to the agreement with EDL." The agreement is dated 7 March 2007 and is between UMP and Flexi-Freeze Ltd ("FFL") the Marketing and Sales arm of UMP, jointly" and Bistryklu Ltd. Whilst the document mentions the phrase UMP's trade marks, it does not say what these trade marks might be though at Exhibit A to this document the "Products and Price list" refer to the product as "eCube - £10 per cube ex-works UK".

15. At JMS3, Mr Stacey exhibits an article from www.morningadvertiser.co.uk and dated 29 March 2007. The article refers to a device called an eCube available from

EDL. Its Sales and Marketing Director, Spencer Freedman is quoted explaining the function of the device. No mention is made of UMP in the article but Mr Stacey states that this is because “this pre-dates the distribution agreement and relates to a period when EDL undertook independent marketing of the eCube product in an effort to secure the distribution of the products of UMP”.

16. At JMS4, Mr Stacey exhibits a copy of an article from the *Guardian* dated 17 March 2007. The article refers to a “patented cube” known as e-cube and states that Guy Lamstaes was a co-inventor of the device. The article quotes Spencer Freedman of EDL who gives details of the numbers of the devices which have been sold. Again, no mention is made of UMP and again Mr Stacey states that this “was as a result of EDL undertaking the m (sic) marketing campaign in its effects (sic) to secure a distribution agreement from [UMP]”.

17. At JMS5, Mr Stacey exhibits a press release issued by Flexi-Freeze Ltd along with the results of an internet search showing that the article dates from 30 October 2006. The article refers to Flexi-Freeze’s “new energy saving device, the eCube”.

18. At JMS6 is exhibited another press release issued by Flexi-Freeze. Dated 29 March 2007, it refers to the “new low-cost gadget” which “will be launched on the Internet on Monday 2nd April.” The article refers to the gadget as the E-cube. The article also refers to the item being featured on a BBC news programme on 27 March. Mr Stacey states that the programme included an interview with Mr Lamstaes but neither a copy of the interview nor any specific information about what might have been said in that interview, is included within the evidence.

19. At JMS7, Mr Stacey exhibits a copy of an assignment document between EDL and ESL. Dated 12 May 2010, the document sets out an agreement in respect of the trade mark the subject of these proceedings, which Mr Stacey submits, is null and void because “EDL had not (sic) right claim to have a right, title and interest in the mark”.

20. Mr Stacey gives the following details of turnover of what he calls the eCube products by EDL;

April 2007 to March 2008 £339,332.00

April 2008 to March 2009 £409,350.00

Registered proprietor’s evidence

21. Mr Berman states he was managing Director of EDL from January to November 2008, during which time he had full responsibility for managing the company’s operations. He states he joined the company in September 2007 as Sales and Marketing Director and was appointed to “build the ECUBE brand”. He states that during his time with EDL, that company invested “at least around £30-40,000 in developing the ECUBE brand”.

22. Mr Berman states that EDL was the distributor of a temperature mimicking sensor device supplied by UMP. It supplied those devices “in bulk (i.e. tens or hundreds to a container)” and that “neither the product, nor the container that the

products were supplied in bore the mark “eCube””. Mr Berman goes on to state that he created and designed what he calls the eCube logo as well as the website, sales collateral and packaging, all of which were known to and agreed with UMP.

23. Mr Berman states that under the terms of the distribution agreement (exhibited at JMS2), Guy Lamstaes had been appointed as a non-executive director of EDL. At SB1 he exhibits a copy of a deed dated 20 April 2007 under which this appointment took place. Mr Berman states that during his time with EDL he had regular weekly calls with either Guy Lamstaes or his father Andre.

24. Mr Berman states that in or about May 2008, he became aware that a US company, Carrier Corp (“Carrier”), had begun using the mark E*CUBE in relation to air conditioning and refrigeration services and that it had filed a community trade mark (“CTM”) application for that mark. He exhibits a printout of the CTM at SB2. Concerned about their use of this mark and with the assistance of trade mark attorneys, a co-existence agreement was negotiated between Carrier and EDL which he exhibits at SB3. It makes reference to EDL’s trade mark application the subject of these proceedings and shows that it was signed by Mr Berman on 30 September 2008 and by Mr Rockwell of Carrier on 16 October 2008.

25. Mr Berman states he kept Guy Lamstaes apprised of the contact with Carrier and the negotiations. He states that he also told him that “in order to avoid future conflict and strengthen our legal rights to our trademark”, EDL was to apply for trade mark registration of the mark eCube in the UK. The co-existence agreement with Carrier was signed a month after the trade mark application had been filed. Mr Berman states he kept Guy Lamstaes and UMP fully apprised of the application for registration of the trade mark and received no objection to it.

26. Mr O’Neill states he is a Director of ESL and has held that position since the company’s formation on 2 February 2008. He states that having been introduced to EDL on 31 July 2007, with a view to helping it to market in North America, his company became its exclusive licensee in 2008. At PO1 he exhibits a copy of the distribution agreement. Dated 20 February 2008, the agreement allows ESL to use the trade marks set out in Exhibit C to sell EDL’s products. Exhibit C includes the mark eCube. Exhibit B sets out the product specification for a temperature mimicking sensor.

27. Mr O’Neill states that having become aware of “several black market dealers counterfeiting the eCube brand”, his company sought to register the mark in the US on 13 April 2009. In respect of the mark the subject of the current proceedings, Mr O’Neill states that EDL assigned its registration to ESL when, due to what he claims were essentially unfair business practices forced on it by UMP, EDL ran out of the cash needed to keep its business going. He exhibits a copy of the assignment document at TO5.

28. Mr O’Neill states that between 2007 and the date of his witness statement (26 August 2011), he had several conversations with Guy Lamstaes and that at no time prior to UMP’s termination of its supply agreement with EDL did UMP assert any rights to the mark or provide guidelines as to its use.

29. Mr O'Neill refers to a lawsuit taking place in the US by which ESL is suing UMP for, inter alia, trade mark and copyright infringement. Whilst that action is not an issue before me, at TO7 he exhibits an email he received from Andre Lamstaes dated 2 November 2010 which I understand form part of the documents in that case. The email includes the following text:

"In 1997 Guy and myself developed a new product which we designed as the "Digital Endotherm" and named "the Dome" because it was shaped like a dome.....In 1999 we had a visit of our friend, Harry Benham who had a good look at it, came back a few weeks later and put our system in a round box.....and the box in a cube....[and we] called the new gadget the ENDOCUBE from the ENDOTHERM –to convey the meaning of action within: - the names were suggested by Alan a grandson of mine at the time a schoolboy and published in our local newspaper. We used that name ever since although in April 2007, the name eCube was chosen by Spencer for the American market and we agreed to sign an exclusive marketing contract with Ecube Distribution. Until a final name is chosen we shall carry on calling our products "Endocube" and will decide on names for the various types."

30. Mr O'Neill states that the "Spencer" referred to in the email is Spencer Freedman, who was an employee of EDL when he came up with the name.

31. Mr O'Neill's second witness statement, exhibits, at TO10, a screenshot taken from UMP's website on 27 August 2011. The text (page 3) includes the following:

"[I]n March 2007 [UMP] signed an exclusive marketing contract with a new company set up called [EDL], for the sale of our single cavity endocube. [EDL's] then Sales & Marketing Director Spencer Freedman, discussed with Guy Lamstaes and Harry Banham (of UMP), the idea of using the name "eCube". Freedman felt from his marketing background that the product being an Energy Cube could be made shorter to the eCube."

32. Mr O'Neill states that he met Guy Lamstaes in New York in August 2009. UMP and ESL were planning to enter into a new patent licensing agreement. He states that Mr Lamstaes told him the distribution agreement between UMP and EDL was to be terminated (and that it was subsequently terminated on 23 September 2009). At TO11 he exhibits a number of emails sent following that meeting. Dated 3 September 2009 and 25 September 2009, they suggest that UMP and ESL are in negotiations. No mention is made in them of any trade mark negotiations despite Mr Lamstaes urging Mr O'Neill not to:

"hold yourselves up with any sales, just carry on and we'll make sure you get whatever deliveries you need, though, I'm still not sure what stock [EDL] have at present (nor do they, I've just asked").

33. At TO12, Mr O'Neill exhibits a transcript of two videos from ESL and UMP's websites respectively and points to the striking similarities between the two of them and references to ecube in ESL's version being altered to Endocube in that of UMP.

UMP's evidence in reply

34. Mr Stacey's second witness statement serves as a vehicle to introduce exhibit UMP1 which is a copy of an email exchange between him and Guy Lamstaes. The emails indicate the exchange took place on 8/9 March 2010. The subject of the email is "E-Cube 0UK invalidity". In answer to Mr Stacey's question as to whether Mr Lamstaes or his lawyer have ever complained "as to the fact that they have registered the mark, Mr Lamstaes responds "we have with the USA company but not with the UK company. With the UK company, as soon as we heard about the trade mark we contacted yourselves. Neither "they" or the trade mark is specifically identified.

35. In his witness statement, Mr Guy Lamstaes states he has managed UMP together with his father Andre since it was incorporated. Having confirmed that he has read Mr Berman's evidence, he states that at no time was UMP or he ever advised by him or any other persons connected with EDL that they were applying for the trade mark the subject of these proceedings. At GL1 he exhibits a copy of the same email exchanges exhibited by Mr Stacey at UMP1 and states that the statement he made in that email is entirely correct.

36. Andre Lamstaes states that he has managed the company along with his son since its incorporation. He also refers to a copy of the email exchange at UMP1 and confirms that its contents are accurate. The rest of his witness statement is identical to that of his son.

Cross examination

37. In addition to the material filed above, Guy Lamstaes, Andre Lamstaes and Scott Berman were each cross examined on their evidence.

Guy Lamstaes

38. In a lengthy cross examination, Mr Lamstaes confirmed he was made a non-executive director of EDL on 20 April 2007 as a result of the terms of the distribution agreement signed that day and that he was supposed to attend monthly meetings. He accepted he had had conversations with Mr Berman but said that after initial contacts they became quite "strenuous" though he did not expand on this.

39. Despite having been made a director of EDL, he stated he was not aware of any dispute EDL had had with Carrier, knew nothing of any settlement agreement and had no involvement with EDL in relation to any of its expenditure.

40. Mr Lamstaes stated that he himself had been the first person to use the name eCube back in 2004 but accepted that nothing had been filed in evidence which supported this claim. At first he denied that Mr Freedman had coined the mark, stating that he simply "thought he came up with" it. When taken to the screenshots of UMP's own website exhibited at TO10 which sets out the history of the product, he agreed that it stated that Spencer Freedman had brought up the idea of using the name eCube. He then changed his initial position somewhat and agreed that Mr Freedman did coin the name in the meeting but said that he told Mr Freedman that

UMP had already used that name but that “we were quite happy for them to use it”. He went on to say that “we did not mind if they wanted to adopt the name and we gave our permission for it”. He agreed that Mr Freedman had been working for UMP as an independent agent at the time these proceedings commenced and that he could have been asked to supply evidence but that no such request was made.

41. Mr Lamstaes stated that the predominant name UMP used was Endocube but it also used Endotherm, Thermocube and eCube but accepted that no evidence of any use of the mark e-Cube by UMP had been filed.

42. Whilst he was quite forceful in some of his answers, he was somewhat reticent in answering others. I found Mr Lamstaes to be lacking in detail in some areas and somewhat contradictory in others.

Andre Lamstaes

43. Mr Andre Lamstaes’ cross examination was brief. He stated that Spencer Freedman had been the sales and marketing director of EDL. Taken to the email he had sent to Mr O’Neill on 2 November 2010 and exhibited at TO7, he accepted that the mark UMP had originally used was Endotherm, later amended to endocube, a mark, he says, it still uses. It was, he said, the basic name for the product.

44. He initially stated that Mr Freedman had “not really” created the name eCube but when shown the pages from UMP’s website he altered his position and accepted that he had created it but added that he had had a choice of names. He stated that UMP always called its product Endotherm or Endocube but would change it at the request of those who would buy it. The condition was that distributors would always use UMP’s product and its own name. UMP was never, he said, involved in marketing. He was not aware of any dispute involving Carrier.

45. Whilst I found Mr Andre Lamstaes to be an honest witness, his answers to the questions put to him were, at times, somewhat vague and contradictory.

Scott Berman

46. Mr Berman stated that he had joined EDL some months after the distribution agreement had been signed. He had been employed to undertake sales and marketing of the product supplied by UMP. EDL were struggling to market the product. Mr Berman said that he created their website before becoming a full time employee and created all the written material and packaging for the product. He was a communicator and tried to build a relationship with Guy Lamstaes. Initially he had held regular calls with either Guy Lamstaes or, less often, his father but it was not a formal arrangement and nothing was “diarised” and no minutes were taken.

47. Mr Berman stated that UMP approved everything he did with that approval being given in emails. He stated that he told Mr Guy Lamstaes of a potential conflict with Carrier and the ensuing negotiations and also advised him that EDL would be making an application for registration of the trade mark. Mr Berman insisted that he “played no part whatsoever in understanding what, contractually, was in place or not to protect us” and that everything was checked with Mr Lamstaes. Mr Berman could

not recall when specific conversations took place and said that whilst he did not call Mr Lamstaes to look for approval to apply for trade mark registration, he did call him looking for general information, wanting to know if EDL was protected or not before he applied for the registration. Mr Berman stated that he did not recall how many conversations the two men had had and, given the passage of time, could not recollect whether there was any follow up correspondence. He had left the company in November 2008 and no longer had any documentation from that time nor, since he had left the company, did he have any access to any of its records.

48. Mr Berman answered all questions put to him confidently and whilst he was unable to give any detail of when, specifically, the various conversations he had had with Mr Lamstaes took place, given the passage of time and his lack of access to EDL's records, I found this unsurprising.

49. That completes my summary of the evidence to the extent I consider it necessary.

The objection under section 3(6) of the Act

50. Section 3(6) of the Act states:

“3(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

51. UMP puts its case in the following terms:

“2. The registration in suit was filed as of 3 September 2008 by EDL.

3. UMP and [EDL] entered into a distribution agreement as of 20 April 2007 in relation to the distribution of, *inter alia*, “temperature mimicking devices which mimic the temperature of food in a refrigeration system and reduce the effects of air temperature fluctuations on the refrigeration control thermostat”.

4. Prior to entering into the distribution agreement with [EDL] as of 20 April 2007, [UMP had] a business relationship (sic) with Flex-Freeze Limited (sic) (FFL) who had been distributing on behalf of UMP the energy saving device under the name eCube at least as early as October 2006. Prior to this date, sales were under reference to eCube by UMP over the period April 2004 to March 2007.

5. [EDL] was incorporated until (sic) 11 January 2007 (during the period of contract negotiations between UMP and [EDL]).

6. The distribution agreement between UMP and [EDL] contains specific clauses as to trade mark ownership and use. [UMP] will establish in evidence that the key clause states “UMP is the sole owner of the entire right, title and interest in and to all trade marks and trade names under which the Product may from time to time be sold to the distributor”. [UMP] will further establish that the said distribution agreement shows that the trade mark eCube was

being used by UMP prior to the signing of the distribution agreement with [EDL].

7. By virtue of the foregoing, [UMP] asserts that EDL were fully aware of, and had signed, a written agreement to the effect that UMP owned the trade mark eCube. Accordingly, [UMP] asserts that the mark in suit was filed in bad faith, and that the mark was registered contrary to the provisions of Section 3(6) of the Trade Marks Act 1994 (the Act).”

52. In case O/094/11 [*Ian Adam*] Mr Geoffrey Hobbs Q.C. acting as the Appointed Person summed up the test for bad faith in the following manner:

“31. The basic proposition is that the right to apply for registration of a trade mark cannot validly be exercised in bad faith. The invalidity of the application is not conditional upon the trade mark itself being either registrable or unregistrable in relation to any goods or services of the kind specified. The objection is absolute in the sense that it is intended to prevent abusive use of the system for acquiring title to a trade mark by registration. Any natural or legal person with the capacity to sue and be sued may pursue an objection on this ground: see the Judgment of the Court of Justice in Case C-408/08P Lancôme parfums et beauté & Cie SNC v. OHIM [2010] ECR I-00000 at paragraph [39] and the Opinion of Advocate General Ruiz-Jarabo Colomer at paragraphs [63] and [64]. Since there is no requirement for the objector to be personally aggrieved by the filing of the application in question, it is possible for an objection to be upheld upon the basis of improper behaviour by the applicant towards persons who are not parties to the proceedings provided that their position is established with enough clarity to show that the objection is well-founded.

32. Any attempt to establish bad faith must allow for the fact that there is nothing intrinsically wrong in a person exercising *‘the right to apply the rules of substantive and procedural law in the way that is most to his advantage without laying himself open to an accusation of abuse of rights’* as noted in paragraph [121] of the Opinion delivered by Advocate General Trstenjak in Case C-482/09 Budejovicky Budvar NP v. Anheuser-Busch Inc on 3 February 2011. In paragraph [189] of his judgment at first instance in Hotel Cipriani SRL v. Cipriani (Grosvenor Street) Ltd [2009] EWHC 3032 (Ch); [2009] RPC 9 Arnold J. likewise emphasised:

... that it does not constitute bad faith for a party to apply to register a Community trade mark merely because he knows that third parties are using the same mark in relation to identical goods or services, let alone where the third parties are using similar marks and/or are using them in relation to similar goods or services. The applicant may believe that he has a superior right to registration and use of the mark. For example, it is not uncommon for prospective claimants who intend to sue a prospective defendant for passing off first to file an application for registration to strengthen their position. Even if the applicant does not believe that he has a superior right to registration and use of the mark, he may still believe that he is entitled to registration. The applicant may

not intend to seek to enforce the trade mark against the third parties and/or may know or believe that the third parties would have a defence to a claim for infringement on one of the bases discussed above. In particular, the applicant may wish to secure exclusivity in the bulk of the Community while knowing that third parties have local rights in certain areas. An applicant who proceeds on the basis explicitly provided for in Art. 107 can hardly be said to be abusing the Community trade mark system.

These observations were not called into question in the judgment of the Court of Appeal in that case: [2010] EWCA Civ 110; [2010] RPC 16. They were re-affirmed by Arnold J. in Och-Ziff Management Europe Ltd v. Och Capital LLP [2011] ETMR 1 at paragraph [37].

33. The line which separates legitimate self-interest from bad faith can only be crossed if the applicant has sought to acquire rights of control over the use of the sign graphically represented in his application for registration in an improper manner or for an improper purpose. The appropriate remedy will in that case be rejection of the offending application for registration to the extent necessary to render it ineffective for the purpose which made it objectionable in the first place.

34. In a case where the relevant application fulfils the requirements for obtaining a filing date, the key questions are: (1) what, in concrete terms, is the objective that the applicant has been accused of pursuing? (2) is that an objective for the purposes of which the application could not properly be filed? (3) is it established that the application was filed in pursuit of that objective? The first question serves to ensure procedural fairness and clarity of analysis. The second question requires the decision taker to apply a moral standard which, in the absence of any direct ruling on the point from the Court of Justice, is taken to condemn not only dishonesty but also *'some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined'*: Gromax Plasticulture Ltd v. Don & Low Nonwovens Ltd [1999] RPC 367 at 379 (Lindsay J). The third question requires the decision taker to give effect to the principle that innocence must be presumed in the absence of evidence sufficient to show that the applicant has acted improperly as alleged.

35. In assessing the evidence, the decision taker is entitled to draw inferences from proven facts provided that he or she does so rationally and without allowing the assessment to degenerate into an exercise in speculation. The Court of Justice has confirmed that there must be an overall assessment which takes into account all factors relevant to the particular case: Case C-529/07 Chocoladefabriken Lindt & Sprüngli AG v. Franz Hauswirth GmbH [2009] ECR I-4893 at paragraph [37]; Case C-569/08 Internetportal und Marketing GmbH v. Richard Schlicht [2010] ECR I-00000 at paragraph [42]. As part of that assessment it is necessary as part of that approach to consider the intention of the applicant at the time when the application was filed, with intention being regarded as a subjective factor to be determined by reference to the objective circumstances of the particular case: Chocoladefabriken

Lindt & Sprüngli GmbH (above) at paragraphs [41], [42]; Internetportal and Marketing GmbH (above) at paragraph [45]. This accords with the well-established principle that ‘national courts may, case by case, take account on the basis of objective evidence of abuse or fraudulent conduct on the part of the persons concerned in order, where appropriate, to deny them the benefit of the provisions of Community law on which they seek to rely’: Case C-16/05 The Queen (on the applications of Veli Tum and Mehmet Dari) v. Secretary of State for the Home Department [2007] ECR I-7415 at paragraph [64].

36. The concept of assessing subjective intention objectively has recently been examined by the Court of Appeal in the context of civil proceedings where the defendant was alleged to have acted dishonestly: Starglade Properties Ltd v. Roland Nash [2010] EWCA Civ 1314 (19 November 2010). The Court considered the law as stated in Royal Brunei Airlines v. Tan [1995] 2 AC 378 (PC), Twinsectra Ltd v. Yardley [2002] 2 AC 164 (HL), Barlow Clowes International Ltd v. Eurotrust International Ltd [2006] 1 WLR 1476 (PC) and Abu Rahman v. Abacha [2007] 1 LLRep 115 (CA). These cases were taken to have decided that there is a single standard of honesty, objectively determined by the court and applied to the specific conduct of a specific individual possessing the knowledge and qualities that he or she actually possessed: see paragraphs [25], [28], [29] and [32]. This appears to me to accord with treating intention as a subjective factor to be determined by reference to the objective circumstances of the particular case, as envisaged by the judgments of the Court of Justice relating to the assessment of objections to registration on the ground of bad faith.”

53. The principles of what constitutes bad faith were further summarised by the High Court in Red Bull GmbH v. Sun Mark Limited, Sea Air & Land Forwarding Limited [2012] EWHC 1929 (Ch) where it said:

“130 A number of general principles concerning bad faith for the purposes of section 3(6) of the 1994 Act/ Article 3(2)(d) of the Directive/ Article 52(1)(b) of the Regulation are now fairly well established. (For a helpful discussion of many of these points, see N.M. Dawson, “Bad faith in European trade mark law” [2011] IPQ 229.)

131 First, the relevant date for assessing whether an application to register a trade mark was made in bad faith is the application date: see Case C-529/07 Chocoladenfabriken Lindt & Sprüngli AG v. Franz Hauswirth GmbH [2009] ECR I-4893 at [35].

132 Secondly, although the relevant date is the application date, later evidence is relevant if it casts light backwards on the position as at the application date: see Hotel Cipriani Srl v. Cipriani (Grosvenor Street) Ltd [2009] EHC 3032 (Ch), [2009] RPC 9 at [167] and cf. Case C-259/02 La Mer Technology Inc v. Laboratoires Goemar SA [2004] ECR I-1159 at [31] and Case C-192/03 Alcon Inc v. OHIM [2004] ECR I-8993 at [41].

133 Thirdly, a person is presumed to have acted in good faith unless the contrary is proved. An allegation of bad faith is a serious allegation which

must be distinctly proved. The standard of proof is on the balance of probabilities but cogent evidence is required due to the seriousness of the allegation. It is not enough to prove facts which are also consistent with good faith: see *BRUTT Trade Marks [2007] RPC 19* at [29], *von Rossum v Heinrich Mack Nachf. GmbH & Co KG* (Case R 336/207–2, OHIM Second Board of Appeal, 13 November 2007) at [22] and *Funke Kunststoffe GmbH v Astral Property Pty Ltd* (Case R 1621/2006-4, OHIM Fourth Board of Appeal, 21 December 2009) at [22].

134 Fourthly, bad faith includes not only dishonesty, but also “some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined”: see *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd [1999] RPC 367* at 379 and *DAAWAT Trade Mark* (Case C000659037/1, OHIM Cancellation Division, 28 June 2004) at [8].

135 Fifthly, section 3(6) of the 1994 Act, Article 3(2)(d) of the Directive and Article 52(1)(b) of the Regulation are intended to prevent abuse of the trade mark system: see *Melly's Trade Mark Application [2008] RPC 20* at [51] and *CHOOSI Trade Mark* (Case R 633/2007-2, OHIM Second Board of Appeal, 29 February 2008) at [21]. As the case law makes clear, there are two main classes of abuse. The first concerns abuse vis-à-vis the relevant office, for example where the applicant knowingly supplies untrue or misleading information in support of his application; and the second concerns abuse vis-à-vis third parties: see *Cipriani* at [185].

136 Sixthly, in order to determine whether the applicant acted in bad faith, the tribunal must make an overall assessment, taking into account all the factors relevant to the particular case: see *Lindt v Hauswirth* at [37].

137 Seventhly, the tribunal must first ascertain what the defendant knew about the matters in question and then decide whether, in the light of that knowledge, the defendant's conduct is dishonest (or otherwise falls short of the standards of acceptable commercial behaviour) judged by ordinary standards of honest people. The applicant's own standards of honesty (or acceptable commercial behaviour) are irrelevant to the enquiry: see *AJIT WEEKLY Trade Mark [2006] RPC 25* at [35]-[41], *GERSON Trade Mark* (Case R 916/2004-1, OHIM First Board of Appeal, 4 June 2009) at [53] and *Campbell v Hughes [2011] RPC 21* at [36].

138 Eighthly, consideration must be given to the applicant's intention. As the CJEU stated in *Lindt v Hauswirth* :

“41. ... in order to determine whether there was bad faith, consideration must also be given to the applicant's intention at the time when he files the application for registration.

42. It must be observed in that regard that, as the Advocate General states in point 58 of her Opinion, the applicant's intention at the

relevant time is a subjective factor which must be determined by reference to the objective circumstances of the particular case.

43. Accordingly, the intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith on the part of the applicant.

44. That is in particular the case when it becomes apparent, subsequently, that the applicant applied for registration of a sign as a Community trade mark without intending to use it, his sole objective being to prevent a third party from entering the market.

45. In such a case, the mark does not fulfil its essential function, namely that of ensuring that the consumer or end-user can identify the origin of the product or service concerned by allowing him to distinguish that product or service from those of different origin, without any confusion (see, inter alia, *Joined Cases C-456/01 P and C-457/01 P Henkel v OHIM* [2004] ECR I-5089 , paragraph 48).”

54. In terms of the date at which the matter falls to be considered, it is well established that the relevant date for consideration of a bad faith claim is the application filing date or at least a date no later than that (*Chocoladefabriken Lindt & Sprüngli AG v. FranzHauswirth GmbH* [2009] ECR I-4893; *Hotpicks Trade Mark*, [2004] RPC 42 and *Nonogram Trade Mark*, [2001] RPC 21). In this case, the relevant date is 3 September 2008.

55. There is no dispute that EDL and UMP were parties to an agreement effective from 20 April 2007. Neither is there any dispute that under the terms of that agreement, UMP retained the rights in its trade marks. But nowhere in that agreement is there, for example, a list of those trade marks. Given that various patents are listed within it, this is something of an omission. Under the terms of the agreement, EDL had the right to re-package or re-label the goods and was not limited to using UMP’s trade marks (paragraph 8A, Conditions).

56. Mr Stacey’s evidence at JMS3 and JMS4 date from the month before the agreement was entered into. Those articles refer only to EDL. Whilst Mr Stacey stated in his evidence that this was because EDL were undertaking independent marketing in an effort to secure the agreement, I find this wholly unpersuasive. Neither Guy Lamstaes, who appears to be the leading player at UMP, nor his father Andre gave evidence that this was the case and so Mr Stacey’s statement is only hearsay. No evidence was file to show that UMP had used the mark e-Cube from 2004, nor was any evidence filed to show that anyone at UMP had created the mark. In contrast, evidence from UMP’s own website refers to Spencer Freedman of EDL coming up with the name, Andre Lamstaes’ email exhibited at TO7 states that Spencer Freedman chose the name and, in cross examination, Andre Lamstaes accepted that Mr Spencer had created it. In his cross examination, Mr Guy Lamstaes at first denied that Mr Spencer had coined the mark before accepting that he had but insisted that UMP had previously been using it. He accepted there was no evidence of this prior use.

57. Within the evidence there is a reference to Flexi-Freeze referring to its product as eCube in October 2006. A few of the documents forming part of the agreement between UMP and EDL, which date from April 2007 also mention eCube either in a heading or in the description of the product. These are very limited references within a short space of time after EDL was formed and before the agreement was signed. Despite UMP's submission to that effect, I am not persuaded that these show it to be a mark belonging to and used by or on behalf of UMP or that EDL acted in bad faith in applying for and registering the mark. And, given Mr Guy Lamstaes' oral statement that UMP had been "quite happy for them to use it" and that UMP "did not mind if they wanted to adopt the name and we gave our permission for it", UMP has not shown that EDL acted in an improper manner or for an improper purpose in applying for the registration of the mark. On the basis of the evidence before me, I am unable to find that EDL's application for registration of the mark was made in bad faith. The objection brought under section 3(6) of the Act fails.

The objection under Section 5(4)(a) of the Act

58. Section 5(4)(a) of the Act states:

"5(4) A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented

(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, or

(b)

A person thus entitled to prevent the use of a trade mark is referred to in the Act as the proprietor of an "earlier right" in relation to the trade mark."

59. In deciding whether the mark in question offends against this section, I intend to adopt the guidance given by the Appointed Person, Mr Geoffrey Hobbs Q.C., in the *WILD CHILD* case [1998] RPC 455. In that decision Mr Hobbs stated that:

"The question raised by the grounds of opposition is whether normal and fair use of the designation WILD CHILD for the purposes of distinguishing the goods of interest to the applicant from those of other undertakings (see section 1(1) of the Act) was liable to be prevented at the date of the application for registration (see Article 4(4)(b) of the Directive and section 40 of the Act) by enforcement of rights which the opponent could then have asserted against the applicant in accordance with the law of passing off.

A helpful summary of the elements of an action for passing off can be found in Halsbury's Laws of England (4th Edition) Vol. 48 (1995 reissue) at paragraph 165. The guidance given with reference to the speeches in the House of Lords in *Reckitt & Colman Products Ltd v. Borden Inc.* [1990] R.P.C. 341 and *Erven Warnink BV v. J. Townend & Sons (Hull) Ltd* [1979] AC 731 is (with footnotes omitted) as follows:

'The necessary elements of the action for passing off have been restated by the House of Lords as being three in number:

(1) that the plaintiff's goods or services have acquired a goodwill or reputation in the market and are known by some distinguishing feature;

(2) that there is a misrepresentation by the defendant (whether or not intentional) leading or likely to lead the public to believe that the goods or services offered by the defendant are goods or services of the plaintiff; and

(3) that the plaintiff has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant's misrepresentation.

The restatement of the elements of passing off in the form of this classical trinity has been preferred as providing greater assistance in analysis and decision than the formulation of the elements of the action previously expressed by the House. This latest statement, like the House's previous statement, should not, however, be treated as akin to a statutory definition or as if the words used by the House constitute an exhaustive, literal definition of passing off, and in particular should not be used to exclude from the ambit of the tort recognised forms of the action for passing off which were not under consideration on the facts before the House.'

Further guidance is given in paragraphs 184 to 188 of the same volume with regard to establishing the likelihood of deception or confusion. In paragraph 184 it is noted (with footnotes omitted) that:

'To establish a likelihood of deception or confusion in an action for passing off where there has been no direct misrepresentation generally requires the presence of two factual elements:

(1) that a name, mark or other distinctive feature used by the plaintiff has acquired a reputation among a relevant class of persons; and

(2) that members of that class will mistakenly infer from the defendant's use of a name, mark or other feature which is the same or sufficiently similar that the defendant's goods or business are from the same source or are connected.

While it is helpful to think of these two factual elements as successive hurdles which the plaintiff must surmount, consideration of these two aspects cannot be completely separated from each other, as whether deception or confusion is likely is ultimately a single question of fact.

In arriving at the conclusion of fact as to whether deception or confusion is likely, the court will have regard to:

- (a) the nature and extent of the reputation relied upon;
- (b) the closeness or otherwise of the respective fields of activity in which the plaintiff and the defendant carry on business;
- (c) the similarity of the mark, name etc. used by the defendant to that of the plaintiff;
- (d) the manner in which the defendant makes use of the name, mark etc. complained of and collateral factors; and
- (e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances.

In assessing whether confusion or deception is likely, the court attaches importance to the question whether the defendant can be shown to have acted with a fraudulent intent, although a fraudulent intent is not a necessary part of the cause of action.”

60. In accordance with the comments of the GC in *Last Minute Network Ltd v Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM)* Joined Cases T-114/07 and T-115/07, the material date at which the matter is to be determined is the date of the application: 3 September 2008.

61. Goodwill was described by Lord Macnaghten in *IRC v Muller & Co's Margarine Ltd* [1901] AC 217 in the following terms:

"What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates. Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different businesses in the same trade. One element may preponderate here and another element there. To analyse goodwill and split it up into its component parts, to pare it down as the Commissioners desire to do until nothing is left but a dry residuum ingrained in the actual place where the business is carried on while everything else is in the air, seem to me to be as useful for practical purposes as it would be to resolve the human body into the various substances of which it is said to be composed. The goodwill of a business is one whole, and in a case like this it must be dealt with as such. For my part, I think that if there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business, and the goodwill perishes with it, though elements remain which may perhaps be gathered up and be revived again."

62. Goodwill emanates from a business. The law of passing-off considers the business and then the trade mark(s) that are used in relation to that business. The trade marks used in relation to businesses give rise to misrepresentation and damage.

63. Parker J in *Burberrys v J C Cording & Co Ltd* [1909] 26 RPC 693 said:

—The principles of law applicable to a case of this sort are well known. On the one hand, apart from the law as to trade marks, no one can claim monopoly rights in the use of a word or name. On the other hand, no one is entitled by the use of any word or name, or indeed in any other way, to represent his goods as being the goods of another to that other's injury. If an injunction be granted restraining the use of a word or name, it is no doubt granted to protect property, but the property, to protect which it is granted, is not property in the word or name, but the property in the trade or good-will which will be injured by its use. If the use of a word or a name be restrained, it can only be on the ground that such use involves a misrepresentation, and that such misrepresentation has injured, or is calculated to injure another in his trade or business.

64. Millett LJ in *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 stated:

—It is well settled that (unless registered as a trade mark) no one has a monopoly in his brand name or get up, however familiar these may be. Passing off is a wrongful invasion of a right of property vested in the plaintiff; but the property which is protected by an action for passing off is not the plaintiff's proprietary right in the name or get up which the defendant has misappropriated but the goodwill and reputation of his business which is likely to be harmed by the defendant's misrepresentation: see *Reddaway v. Banham* [1896] A.C. 199 per Lord Herschell; *Spalding v. Gamage* (1915) 32 R.P.C. 273 at page 284 per Lord Parker; *H.P. Bulmer Ltd. and Showerings Ltd. v. J. Bollinger SA and Champagne Lanson Pere et Fils* (the *Bollinger case*) [1978] R.P.C. 79 at page 93-4 per Buckley L.J.]]

65. Pumfrey J in *South Cone Incorporated v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* [2002] RPC 19 commented upon the evidence that is required to establish goodwill (which is often referred to as reputation):

—27. There is one major problem in assessing a passing off claim on paper, as will normally happen in the Registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the Registrar is entitled to be presented with evidence which at least raises a prima facie case that the opponent's reputation extends to the goods comprised in the applicant's specification of goods. The requirements of the objection itself are considerably more stringent than the enquiry under Section 11 of the 1938 Act (See *Smith Hayden (OVAX)* (1946) 63 RPC 97 as qualified by *BALI* [1969] RPC 472). Thus the evidence will include evidence from the trade as to

reputation; evidence as to the manner in which the goods are traded or the services supplied; and so on.

28. Evidence of reputation comes primarily from the trade and the public, and will be supported by evidence of the extent of use. To be useful, the evidence must be directed at the relevant date. Once raised the applicant must rebut the prima facie case. Obviously he does not need to show that passing off will not occur, but he must produce sufficient cogent evidence to satisfy the hearing officer that it is not shown on the balance of possibilities that passing off will occur.

66. However, the judgments in *Phones 4u Ltd v Phone4u.co.uk. Internet Ltd* [2007] RPC 5 and *Minimax GmbH & Co KG v Chubb Fire Limited* [2008] EWHC 1960 (Pat) show that the question of goodwill cannot be established by the application of a formula. In the latter judgment Floyd J stated:

8 Those observations are obviously intended as helpful guidelines as to the way in which a person relying on section 5(4)(a) can raise a case to be answered of passing off. I do not understand Pumfrey J to be laying down any absolute requirements as to the nature of evidence which needs to be filed in every case. The essential is that the evidence should show, at least prima facie, that the opponent's reputation extends to the goods comprised in the application in the applicant's specification of goods. It must also do so as of the relevant date, which is, at least in the first instance, the date of application

67. This objection can be dealt with very briefly. I have found the evidence to be insufficient to show that eCube is a trade mark belonging to UMP. Consequently, there is no evidence to show that UMP has the requisite goodwill. The objection under section 5(4)(a) of the Act fails at the first hurdle.

Summary

68. The opposition has failed on all grounds.

Costs

69. ESL, as the current registered proprietor, has successfully defended its registration. That being the case, it is entitled to an award of costs in its favour. Given that a lengthy hearing took place and involved the cross examination of three witnesses, I do not intend to make an award at this point. Instead, I shall allow ESL 14 days from the date of this decision to file submissions on the point. Those submissions should be copied to UMP who will have 14 days from that date to file

comments on them. I will then consider the matter further and issue a supplementary decision on costs. The date of appeal against my substantive decision will commence from the date of issue of my supplementary decision on costs.

Dated this 14th day of May 2013

**Ann Corbett
For the Registrar
The Comptroller-General**