

**O-008-16**

**TRADE MARKS ACT 1994**

**INTERNATIONAL REGISTRATION 911449  
IN THE NAME OF YUEQING ELECTRIC CO., LTD**

**AND**

**APPLICATION 500403 BY SALZER ELECTRONICS LTD  
FOR A DECLARATION OF INVALIDITY IN THE UK**

## Background and pleadings

1. Salzer Electronics Ltd (“SEL”) is the applicant for the following five trade marks:

Application No. 3013753



Application No. 3015954 (series of two)

SALZER INDIA

salzer India

Application 3099029 (series of two)

**salzer**  
SALZER

2. The applications were filed on 12<sup>th</sup>, 30<sup>th</sup> July 2013 and 13<sup>th</sup> March 2015, respectively.

3. The marks are to be registered for the following goods<sup>1</sup>:

### Class 9

Auto transformers, circuit breakers, cut-out switches, ducting for electric cables, electric circuit switches, electric connectors, electric switch plates, electrical controllers, electrical ducts, electrical switches, electrical transformers, electrical controllers used to reduce power consumption, light switches, light switches, plastic conduit for electrical use, power connectors, power switches, switchgears, electrical switchgear, namely, voltage boosting devices for electric power lines, transformers, voltage regulators for electric power.

### Class 11

Lighting apparatus and installations; lighting; lighting equipment, products and systems; lighting control systems; light bulbs; decorative lights and lighting; LED light bulbs; CFL lamps; LED lights; apparatus for indoor and outdoor

---

<sup>1</sup> Application 3099029 also covers parts and fittings for the other named goods

lighting; wall lights; lamps; lamp assemblies; bulbs for lamps; lighting elements.

4. The applications are opposed by Yueqing Electric Co., Ltd (“Yueqing”), which is the holder of international registration No. 911449 (“the IR”) consisting of this mark:



5. The IR was registered on 24<sup>th</sup> August 2006 in respect of the following goods:

**Class 9**

Circuit breakers; stabilized voltage power supply; fuse; switches, electric; watt-hour meter; relays, electric; capacitors; instrument transformer; alarms; measuring apparatus; plugs, sockets and other contacts (electric connections); sockets, plugs and other contacts (electric connections); signal lanterns; material for electricity mains (wires, cables); lighting arresters; protective helmets; electric welding apparatus; chargers for electric batteries; computer peripheral devices.

**Class 11**

Lighting apparatus and installations; cooking apparatus and installations; hydrants; sanitary apparatus and installations; radiators, electric; air conditioning installations; glass fibre reinforced plastic axis flow air blower; lighting apparatus for vehicles; electric hair dryers.

6. Yueqing designated the UK for the protection of its IR on 27<sup>th</sup> August 2008. The initial designation was subsequently limited to the goods in class 11. There was a subsequent designation of the UK on 18<sup>th</sup> January 2011 for protection of the IR in relation to the goods in class 9. The IR was protected in the UK on 19<sup>th</sup> July 2012.

7. Yueqing opposes SEL’s applications on the grounds that registration of the marks in relation to the goods in class 9 of the applications would be contrary to section 5(2)(b) of the Act. This is because SEL’s marks are identical, or nearly identical, to the mark covered by the IR, and the goods for which the IR is registered in class 9 (with the exception of protective helmets) are identical or similar to the goods listed in class 9 of SEL’s applications. Yueqing therefore claims that there is a likelihood of confusion on the part of the public, including the likelihood of association. In this connection, Yueqing draws attention to the fact that the word SALZER in SEL’s 3013753 mark is presented in an identical font to that shown in the IR. This is cited as a factor which increases the likelihood of confusion.

8. On 13<sup>th</sup> May 2014, SEL applied under s.47 of the Act for a declaration that Yueqing’s IR was invalidly protected in the UK in classes 9 and 11. The grounds for invalidation were twofold. Firstly, that SEL had an earlier right to the signs

**salzer**, SALZER, SALZER INDIA and Salzer Electronics Limited as a result of the use of those marks in the UK since 1998 in relation to *'electrical apparatus, devices and installation products, including (but not limited to) switches, relays, fuses and cable ducts'*. Secondly, that Yueqing's designation of the UK for the protection of its IR was made in bad faith.

9. The basis of the bad faith claim may be summarised as follows.

- SEL started trading in 1986 (in 1998 in the UK) following a technical collaboration with a German company called Sälzer Schaltgerate Fabrik, GmbH.
- By virtue of its technical collaboration with the German company, SEL is authorised to use and register the mark SALZER in the territories in which it operates.
- SEL and the German company specialise in the manufacture and sale of CAM operated rotary switches and other related goods. This is a niche range of products.
- There is no connection between the applicant, or its German collaborator, and Yueqing.
- Yueqing specialises in identical and similar goods to SEL and its adoption of the mark SALZER cannot be a co-incidence.
- A search of the relevant registers in early 2008 would have revealed that Sälzer Holdings GmbH (a related company to the company mentioned in bullet 1 above) was the holder of IR 931775 for the mark **sälzer**, which had been designated for protection in the EU for relevant goods in class 9.
- A search for competitors would also have revealed that SEL was already using SALZER marks in the UK.
- A reasonable person would not in these circumstances have designated IR 911449 for protection in the UK.

10. Yueqing filed a counterstatement in which it:

- Admitted the similarity between the mark covered by its IR and the word SALZER (stylised and non-stylised), but denied sufficient similarity between its mark and the words SALZER INDIA and Salzer Electronics Limited to justify a claim for passing off.

- Claimed that it had been using the mark protected by its IR in the UK since 2007 without objection.
- Claimed that Sälzer Schaltgerate Fabrik, GmbH is the owner of the earlier right claimed by SEL and therefore SEL is not entitled to apply for the invalidation of the IR.
- Denied the relevance of the goods relied on by SEL to its passing off rights claim insofar as the IR is protected for 'signal lanterns' and 'protective helmets' in class 9, or for any of the goods in class 11. In particular, Yueqing requested proof of the applicability of the passing off right claim to its IR insofar as the IR is protected for 'glass fibre reinforced plastic axis flow air blowers' in class 11.
- Admitted that it specialised in identical and similar goods to those sold by the SEL, which is why it filed oppositions to SEL's applications.
- Required proof of SEL's business and reputation in the UK.
- Claimed that the mark the subject of the IR was first used in China in 1994 for axial flow fans.
- Claimed that in 1985 Zhou Xinglun, the principal and legal representative of Yueqing, majored in Foreign Trade Economy in Wenzhou University, China. His English teacher required students to choose a foreign name and he chose Salzer from the 'Manual of English Names, Revised Edition (2)'. He subsequently used this name as his company name and as its trade mark.
- Pointed out that 'Salzer' is also a possible transliteration of Xinglun Zhou.
- Drew attention to the fact that Sälzer Holdings GmbH's designation of the EU under IR 931775 was declared invalid by OHIM on the basis of the earlier IR the subject of these proceedings.
- Declined to respond to the general allegation that a search for competitors would have revealed that SEL was already using SALZER in the UK because the evidential burden is on SEL to make out its case of bad faith.

11. Both sides seek an award of costs.

12. The opposition and invalidation proceedings were subsequently consolidated.

## The evidence

### SEL's evidence

13. SEL's evidence takes the form of two witness statements by Rangaswamy Doraiswamy, one by Lijin He, and two by Matthew Shaw.

14. Mr Doraiswamy is the founder and Managing Director of SEL. Mr Lijin He is a trade mark attorney based in China. He gives some quasi expert evidence about whether 'salzer' is a transliteration of Xinglun Zhou, and some opinion 'evidence' as to the likelihood of a Chinese person choosing 'salzer' as his English name. Mr Shaw is a trade mark attorney with Forresters, which acts for SEL in these proceedings. His evidence draws attention to other proceedings involving Yueqing and the 'salzer' mark in which Yueqing had claimed that the salzer mark was inspired by a comedian called Peter Salzer.

15. Mr Doraiswamy's evidence is that SEL was incorporated in India in 1956 to design and manufacture world class CAM operated switches in technical collaboration with a German company called Sälzer Schaltgerate Fabrik<sup>2</sup>. He says that SEL now manufactures and sells a wide range of heavy duty/electrical apparatus to customers in India and around the world. This includes load brake switches, rotary switches and electromagnetic relays.

16. The value of salzer's exports to the UK grew from around £5k in 1998/99 to nearly £500k in 2008, to nearly £800k by 2010/11, and to £1.5m by 2011/12. UK sales have been via two main distributors: Countrywide Electrical Distributors and Europa Components. Mr Doraiswamy points out that the retail value of the goods exported to the UK would have been 40% to 150% higher than the figures shown above.

17. The percentage of SEL's business attributable to the UK market increased over this period from just 5% in 1998/99 to around 27% by 2008 and increased further to around 40% by 2011.

18. Copies of sales invoices, purchase orders and delivery notes dated between 1998 and 2010 are exhibited to Mr Doraiswamy's statement<sup>3</sup>. All the invoices show use of the Salzer mark in the stylised form shown in paragraph 8 above (i.e. in an identical form to the mark covered by Yueqing's IR). The invoices relate mainly to sales of 'load break switches'. However, some invoices cover related goods such as terminals and connectors, a 'rotary isolatop' and 'din rails'.

---

<sup>2</sup> A copy of the technical collaboration agreement is in evidence as exhibit RD1

<sup>3</sup> As exhibits RD4, RD5 & RD6

19. Exhibit RD7 shows that the ‘Salzer’ trade mark is used on the packaging for load break switches. The mark is also shown on the installation and usage instructions and on labels affixed to the goods themselves<sup>4</sup>. Mr Doraiswamy’s evidence is that *“..all products supplied to the UK (i.e. in accordance with the sales figures and invoices exhibited here) feature the “Salzer” mark, in these ways.”*

20. In addition to sales of Salzer products to the UK, SEL also sells such products in the USA, Malaysia, Singapore, Dubai, Saudi Arabia and Germany.

21. Mr Doraiswamy’s evidence also includes two letters from its UK distributors. The letters are signed by Ravinder Sood, the Managing Director of Countrywide Electrical Distributors Ltd, and Trevor Holder, the Product and Marketing Director of Europa Components & Equipment plc. The letters are short, just two paragraphs, and very similar. In essence they say that the companies have been dealing the products offered by SEL and a related company since 1997 and have been *“re-distributing/selling the same in the UK, Scotland and Irish markets since 1997”* (1998 in the case of Europa Components).

#### Yueqing’s evidence

22. Yueqing’s evidence includes two witness statements by Zhou Xinglun who is clearly the moving force behind Yueqing, one by Michael Berkson, who was a Trade Mark Attorney working for Harrison IP (Yueqing’s representatives in these proceedings) when the proceedings started, but has since retired, and one by Natalie Brindle, who is also a Trade Mark Attorney and a Director of Harrison IP.

23. Zhou Xinglun’s first witness statement confirms the explanation for his company’s adoption of the mark SALZER as set out in the counterstatement in the invalidation proceedings against the IR<sup>5</sup>. In addition, Zhou Xinglun mentions that he was also influenced by his choice of English name for the English lessons he received in 1985, and by his knowledge of Peter Salzer, who is an actor and comedian whose performances he enjoyed. In his first witness statement Zhou Xinglun states that:

*“I was not influenced or aware of the German Salzer companies or of Salzer Electronics Ltd in 1994 when I first used “salzer”, or in 2004 when YUEQING LEYI ELECTRIC CO.,LTD applied for the trade mark registration.”*

24. In his second witness statement Zhou Xinglun points out that although the format in which his company uses the name SALZER is exactly the same as the format used by SEL, this is simply the result of the use of the word in a universally available

---

<sup>4</sup> See exhibit RD7

<sup>5</sup> See paragraph 12 above, 8<sup>th</sup> bullet.

font called SF SquareHead Pro “with some very minor amendment”. He exhibits a copy of the word in this font<sup>6</sup>, which looks like this:



25. I note that both Yueqing and SEL have adapted the standard font in the same way by adding a small ‘tail’ to the letter ‘r’ in the SALZER marks.

26. According to Zhou Xinglun, he adopted SALZER as his trade mark in 1994 and started exporting products under that mark the same year. At that time he traded overseas through the Zhejiang Yueqing Foreign Trade Corporation. Yueqing was incorporated in China in 2002. The trade mark SALZER (in the form shown at paragraph 4 above) was registered in China the same year. It has since been registered in many other countries, mainly in the middle east and far east, but also in Mexico, South Africa, Pakistan and Nepal.

27. Yueqing has exported goods bearing the mark SALZER for 12 years. The goods include electric switches, wires and cables, circuit breakers, relays, sockets, plugs, electrical connections, fuses, alarms, stabilized voltage power supply, signal lanterns, watt-hour meters, instrument transformers and axial fans. Zhou Xinglun provides a copy of the home page from Yueqing’s own website (salzer-electric.com) as at 4<sup>th</sup> December 2014 (i.e. after the start of all these proceedings)<sup>7</sup>. Yueqing is described as a manufacturer of axial fans, cam switches and panel meters. Various other low voltage electrical goods are listed, including LED indicators (which may be what Zhou Xinglun means by ‘signal lanterns’), and DIN rails (which appears to be a type of electrical terminal or connector which I note is also sold by SEL in the UK).

28. Yueqing has attended the China Import and Export Fair (the Canton Fair) every year since 2004 aiming its marketing at foreign businessmen. It has also had an online shop on alibaba (the largest and best known Chinese business to business website) since 2004. Zhou Xinglun states that he cannot provide historic pages from the alibaba website showing what his company’s online shop looked like in 2005. However, he provides pages showing what it looked like in September 2014 (again, after the start of these proceedings)<sup>8</sup>. The first page shows prominent use of the mark SALZER in the stylised form covered by the IR. The mark is claimed to be registered in more than sixty countries. Oddly, there is a statement that “*We are the only proprietor*”. The web pages include a company history. This sets out the dates when agents were appointed in various countries, and also the dates that Yueqing obtained quality certification for its products.

---

<sup>6</sup> See exhibit ZX1 to Zhou Xinglun’s second statement

<sup>7</sup> See exhibit ZX 1

<sup>8</sup> See exhibit ZX 4



29. I note that no UK agent is listed. The first quality certification listed is a UL certificate (which I believe to be a US standard) obtained in 2003. The first CE certification listed is for cam switches. This was obtained in 2013. Zhou Xinglun states that Yueqing's goods have obtained quality certifications from some EU countries, including Germany, Belgium and Hungary. I note that no express claim is made for such certification in the UK, although a CE certificate would, of course, cover the whole of the EU.

30. According to Zhou Xinglun, 222 UK based visitors have visited Yueqing's online shop since 2005. 57 of these sought quotations and 6 purchased goods. The first sale was in 2006, although the goods were not delivered until 2007. Zhou Xinglun says that although he does not have access to the webpages from Yueqing's online shop from 2005, he can confirm that it prominently displayed the SALZER mark. He further states that, to the best of his knowledge and belief, the packages delivered to the UK would also have borne the SALZER mark.

31. Zhou Xinglun exhibits<sup>9</sup> copies of what he says are initial enquiry and purchase orders from UK customers, and a bill of lading for the first products shipped to the UK in 2007.

32. None of the documents shown bear the mark SALZER. There are two documents purporting to be enquiries, and one 'purchase order'. Both of the enquiries appear to have been made via the alibaba website (they bear that mark). The first enquiry, dated 26<sup>th</sup> June 2005, is from Tommy James. Mr James describes himself as the CEO of Olascot Electronics Ltd. The company has an address in London. The enquiry is addressed to Zhou Xinglun. The short message asks for a quotation and price list for "1000pcs of Contactor". This strikes me as being a very vague product description. It is difficult to see how it could have been sufficient, by itself, for the purpose of a quotation. Tommy James's enquiry indicated that he was interested in having the product shipped to a client in Lagos, Nigeria. Consequently, even if this was a genuine enquiry, it appears to have been connected with an export to Nigeria rather than to the UK.

33. The other enquiry is dated 17<sup>th</sup> June 2005. It is from a Terry Jones, who is recorded as being the CEO of T Jones Inc. with an address in Cricklewood, England. The rest of the address is '534<sup>th</sup> Wallington', which looks more like a US street name than an address in Cricklewood. Further, 'T.Jones Inc.' is obviously a US company. Mr Jones is recorded as asking for a quote for "15000 PCS OF ELECTRIC COMPONENT.IC". Again this seems far too vague a product description for quotation purposes. Coincidentally, Mr Jones also wanted the goods shipped to Lagos, Nigeria, "ASPA" (sic).

---

<sup>9</sup> See exhibit ZX 5

34. The 'purchase order' is actually a copy of an email from Brian Poulten at Silom International Ltd to Zhou Xinglun dated November 2006. The email refers to a purchase order for 1000 "switches" and an associated part and fitting at a total cost of around \$4k. Importantly, the email makes it clear that the order followed a meeting at the Guangzhou Fair in China. It makes no mention of Mr Poulten having visited Yueqing's online shop on the alibaba website. I note that Mr Poulten stated that he wanted the goods packaged in white cardboard boxes, with labels showing type, ampage etc. supplied unattached. The bill of lading confirms that 11 cartons of electric goods were subsequently shipped by sea to Silom International Ltd via Felixstowe on 18<sup>th</sup> January 2007. Neither the bill of lading nor Mr Poulten's email provide support for Zhou Xinglun's claim that "*to the best of his knowledge and belief*" the packages shipped to the UK bore the SALZER mark.

35. Ms Brindle's evidence includes the results of trade mark and company name searches on the word SALZER conducted in May 2015<sup>10</sup>. These show that there are a number of companies and marks registered in the EU with the word SALZER, including the marks the subject of these proceedings. However, there is no indication of the relevant fields of trade of the companies concerned, or whether they are trading. Similarly, there is no indication of the goods/services for which the trade marks are registered. In any event, this search was conducted well after the start of these proceedings and many years after Yueqing claims to have started trading in the UK and elsewhere under the mark SALZER. Consequently, the search results tell me nothing of any relevance to the matters in issue.

36. More relevantly, Ms Brindle gives evidence that she searched the websites of SEL's UK distributors in May 2015 and found no SALZER products for sale on either site<sup>11</sup>.

37. Mr Berkson gives evidence that he visited the website of a well known distributor of electrical components and associated products, called RS Components Ltd. He found that the goods listed in the IR and in SEL's trade mark applications 3013753 and 3015954 are all available from this company. Accordingly, he submits that the respective goods share the same channels of trade and are all members of the market for electrical and electronic components.

38. A copy of the website of RS Components is in evidence<sup>12</sup>. The company claims to be a one-stop supplier stocking 500k different products. It has over one million customers in 32 countries. The goods stocked range from batteries, fuses, lighting, adhesives, plumbing items, tools, computing products and office supplies. The company does not appear to be a typical distributor of electrical products. Therefore this evidence tells me little of any evidential weight.

---

<sup>10</sup> See exhibits NB1 and NB2

<sup>11</sup> See exhibit

<sup>12</sup> See exhibit MDB3

39. Finally, in response to a query raised on behalf of SEL, Mr Berkson provides a technical description of an 'instrument transformer' (one of the goods in class 9 covered by Yueqing's IR) from which it appears that it is a current or voltage transformer for use as a component of instruments such as relays, switches, meters and control devices.

### **Case management and representation**

40. Following the completion of the written procedure, SEL asked for leave to cross examine Zhou Xinglun on his evidence, particularly about his explanation for the adoption of the trade mark SALZER. Zhou Xinglun is based in China. Following a case management conference ("CMC") on 12 August, I wrote to the parties in these terms:

"If the issue on which Salzer Electronics Ltd wants to cross examine Mr Zhou Xinglun is likely to be material and affect the outcome of these proceedings, then I am satisfied that cross examination is necessary. However, given the considerable practical and cost implications of arranging for cross examination, I am of the view that it would only be proportionate if it is absolutely unavoidable. The ....directions provide a process for determining whether it is unavoidable, for dealing with all the issues that have to be decided to determine the case fairly, whilst keeping costs to a minimum."

41. The following were amongst the directions I issued:

- i) The passing off right claim in invalidation 500403 and the legal basis for the bad faith ground for the invalidation of IR 911449 should be settled first.
- ii) A hearing should be appointed for that purpose.
- iii) Oppositions 600000015/58 and (if still relevant) the factual matter of why Mr Zhou Xinglun chose the mark SALZER should be settled second.

42. A hearing took place on 13<sup>th</sup> October 2015 at which Mr Christopher Hall appeared as counsel for Yueqing and Ms Denise McFarland appeared as counsel for SEL. Following the hearing I wrote to the parties on 21<sup>st</sup> October stating that:

"I have decided that the opposition under s.5(4)(a) will succeed for some of the goods covered by IR 911449, but not for others. I will give my reasons in writing in due course."

And

“In these circumstances, it is not appropriate to decide the outcome of the application to invalidate IR 911449 purely on the basis of the earlier right claimed by Salzer Electronics Ltd.”

43. The parties were not content with these directions and a further CMC was held on 22<sup>nd</sup> December 2015<sup>13</sup>. Following the CMC (and with the agreement of the parties), I issued the following directions:

“1. Pursuant to Rule 62(h) of the Trade Marks Rules 2008, that part of the consolidated proceedings contained in Cancellation No CA 500403 advanced on the basis that the IR was registered contrary to section 5(4)(a) of the Trade Marks Act 1994, shall be henceforth dealt with as separate proceedings (the “Section 5(4)(a) proceedings”).

2. Save as set out below, all further proceedings in the consolidated proceedings are hereby stayed, with either party having liberty to apply to the IPO (on notice) to set aside or vary the stay, or generally to seek directions, at any time.

3. If [Yueqing] files and pursues any appeal in the Section 5(4)(a) proceedings within the relevant deadline, the stay under paragraph (2) above shall continue.

4. If [Yueqing] fails to file any appeal in the Section 5(4)(a) proceedings within the relevant deadline, [Yueqing] shall within 28 days of the relevant deadline expiring withdraw its Oppositions and its Defence in the consolidated proceedings.

5. If any appeal filed in the Section 5(4)(a) proceedings is withdrawn, abandoned, discontinued or dismissed, [Yueqing] shall within 28 days of such withdrawal, abandonment, discontinuance or dismissal withdraw its Oppositions and its Defence in the consolidated proceedings and [SEL] shall be entitled to seek such Order as to costs as shall to the Hearing Officer seem appropriate.

6. Within 28 days of the final decision on any appeal in the Section 5(4)(a) Proceedings, if [SEL] so requests, the stay under paragraph (2) shall be lifted and the parties shall have liberty to apply for directions in the consolidated proceedings.”

44. It follows that the remainder of this decision will cover only the section 5(4)(a) ground for invalidating the protection of IR 911449 in the UK.

---

<sup>13</sup> By this time Yueqing had filed a further opposition under 404822 to SEL's later application 3099029. This opposition was consolidated with the other proceedings.

## The section 5(4)(a) ground of invalidation against IR 911449

45. The applicant claims that the trade mark registration should be cancelled under section 47(2) of the Act which is as follows:

“(2) The registration of a trade mark may be declared invalid on the ground-  
(a) -  
(b) that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied, unless the proprietor of that earlier trade mark or other earlier right has consented to the registration.”

In the case of an IR, the references to s.47 to ‘trade mark’ should be taken to apply to an international registration (UK)<sup>14</sup>.

Section 5(4)(a) states:

“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 this Act as the proprietor of “an earlier right” in relation to the trade mark.”

46. Halsbury’s Laws of England (4th Edition) Vol. 48 (1995 reissue) at paragraph 165 provides the following analysis of the law of passing off. The analysis is based on guidance given in 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. It 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.”

---

<sup>14</sup> See article 3 of the Trade Marks (International Registration) Order 2008 S.I.2208/2008

## Relevant dates

47. In *SWORDERS TM*<sup>15</sup> I found that:

“Strictly, the relevant date for assessing whether s.5(4)(a) applies is always the date of the application for registration or, if there is a priority date, that date: see Article 4 of Directive 89/104. However, where the applicant has used the mark before the date of the application it is necessary to consider what the position would have been at the date of the start of the behaviour complained about, and then to assess whether the position would have been any different at the later date when the application was made.”

48. This analysis was subsequently approved by Mr Daniel Alexander QC as the Appointed Person in *Advanced Perimeter Systems Limited v Multisys Computers Limited*<sup>16</sup>.

49. In the context of an IR, the relevant date for the assessment of the s.5(4)(a) ground is the date that the UK was designated for protection purposes. In this case there are two such dates because the UK was designated at different times for different goods. The relevant dates are therefore 27<sup>th</sup> August 2008 for the goods covered in class 11, and 18<sup>th</sup> January 2011 for the goods covered in class 9. However, if Yueqing used its mark in the UK prior to these dates it would also be necessary to consider the position at the start of such use.

## Yueqing’s claim to have goodwill in the UK under the contested IR

50. There is no evidence that Yueqing’s online shop was targeted at UK customers prior to the dates that the UK was designated for protection of the IR. There is no evidence what the online shop looked like prior to these dates. This is because the webpages in evidence are dated after the start of these proceedings. I note from these webpages that it does not seem to have been possible to purchase products online from the ‘shop’, even in 2014.

51. Zhou Xinglun’s evidence is that there have been 222 UK visitors to the web pages on the alibaba website since 2005. This is a very small number over a period of 8/9 years. Without further information it is not possible to say how many of these visitors set out to visit the site (as opposed to, for example, clicking on the site out of curiosity or by accident whilst looking for another site), or for what purpose. Zhou Xinglun’s claim that 57 such visitors asked for quotations is not supported by the records of just two such enquiries in evidence. Both of the email enquiries in question are from 2005. If 57 such enquiries had been received since 2005, I am left wondering why there is no documentary evidence of any of the enquiries after 2005. Further, there are a number of serious and unanswered questions about this email

---

<sup>15</sup> BL O-212-06

<sup>16</sup> BL O-410-11, at paragraph 43 of the judgment

evidence to which I drew attention in my analysis of the evidence. In short, I have serious concerns about the credibility of this evidence. In any event, one of the two emails purports to come from a US company, rather than a UK company. Additionally, both of the email enquiries purport to relate to potential exports from China to Nigeria. Therefore, even if the emails are genuine documents, they do not show preparations to trade with UK customers in the UK. On top of all this, there is no mention of the SALZER mark in either email enquiry.

52. I therefore find that there is no credible evidence that the SALZER online 'shop' on the alibaba website created any goodwill in the UK under the mark SALZER.

53. I accept that Yueqing exported goods to Silom International Ltd in the UK at the beginning of 2007. However, the order for these goods appears to have obtained at a meeting at a trade fair in China. In *Starbucks (HK) Limited and another v British Sky Broadcasting Group PLC and others*<sup>17</sup> Lord Neuberger (with whom the rest of the Supreme Court agreed) stated that:

"I consider that we should reaffirm that the law is that a claimant in a passing off claim must establish that it has actual goodwill in this jurisdiction, and that such goodwill involves the presence of clients or customers in the jurisdiction for the products or services in question. And, where the claimant's business is abroad, people who are in the jurisdiction, but who are not customers of the claimant in the jurisdiction, will not do, even if they are customers of the claimant when they go abroad."

54. Therefore, if the sale of goods to Silom International Ltd was secured at trade fair in China it did not generate goodwill in the UK because the company was not a customer of Yueqing in this jurisdiction. In any event, the evidence does not support Zhou Xinglun's slightly tentative assertion that the packaging for the goods subsequently delivered to the UK bore the SALZER mark. Even if it did, a single import of goods classifiable in class 9 in January 2007 is not sufficient to support the establishment of a concurrent goodwill in the UK at the relevant date in 2011.

55. Zhou Xinglun asserts that there were five further sales to UK customers. Without further particularisation of these sales, or documentary support, I do not accept Zhou Xinglun's mere assertion as sufficient to establish the sale of SALZER goods in the UK prior to the relevant dates.

56. I conclude that Yueqing had no UK goodwill under the contested mark at the relevant dates in 2008 or 2011. If I am wrong about that, any UK goodwill was entirely trivial. Either way, Yueqing did not have sufficient goodwill of its own to resist a passing off claim brought by SEL, if it had acquired a protectable goodwill in the UK by the relevant dates.

---

<sup>17</sup> [2015] UKSC 31

## SEL's goodwill in the UK under the SALZER mark

57. SEL had been trading with UK distributors for around 10 years by the first relevant date in 2008, and for around 13 years by the second relevant date. The value of its exports had grown to around £500k per annum by 2008, and to around £1m per annum by 2011. The goods were mainly load break switches, which are electrical components in class 9. The products appear to have sold for around \$10 each. There is no doubt in my mind that sales on this scale are, in principle, capable of establishing a protectable goodwill in the UK.

58. Counsel for Yueqing submitted that the evidence did not establish a relevant goodwill in this case. This was mainly because the evidence did not establish use of the SALZER mark in the UK beyond its two UK based distributors. In particular, it is not clear who the distributors sold the goods to, or whether the goods still bore the SALZER trade mark when they were re-sold. Counsel for Yueqing therefore submitted that established sales to just two customers in the UK created only a trivial goodwill which was insufficient to support a passing off right claim on the reasoning set out in *Hart v Relentless Records Ltd*<sup>18</sup>.

59. Although I accept that the number of customers that a business has in the UK is relevant to the question of whether it has acquired sufficient goodwill to sue for passing off, I do not accept that the existence of only a small number of customers is sufficient, of itself, to prevent a trader from having acquired a protectable goodwill. In *Compass Publishing BV v Compass Logistics Ltd*<sup>19</sup> the court was prepared to find that the claimant had acquired a non-trivial goodwill despite having only 7 customers and rather less business than is shown in the evidence in this case. Where the market is likely to be niche (as I expect is the case for load break switches, being components only likely to be used by manufacturers and repairers of complex products) then having a significant UK business with a small number of customers is, in my judgment, no bar to the acquisition of a protectable UK goodwill. Consequently, if it had been necessary to make such a finding, I would have found that SEL had acquired a non-trivial UK goodwill on the basis of its established trade under the mark SALZER with its two direct UK customers.

60. However, the evidence is sufficient, in my view, to take SEL's case further than this. It is true that there is no evidence as to whom its UK distributors re-sold SEL's products. However, there is evidence that the UK distributors made repeat orders on a significant scale between 1998 and 2011. The obvious inference is that they were selling the goods on to someone and re-ordering from SEL in order to satisfy demand. The letters in evidence from SEL's distributors say that they have been "re-distributing/selling the [products] in the UK, Scotland and Irish markets since 1997"

---

<sup>18</sup> [2002] EWHC 1984 (Ch)

<sup>19</sup> [2004] RPC 41



(1998 in the case of Europa Components). Counsel for Yueqing attacked this evidence on the basis that it was:

- i) Not in the form of witness statements;
- ii) Prepared without sufficient attention to detail;
- iii) Lacking in information, particularly about to whom the goods were re-sold.

61. I accept these criticisms, which plainly reduce the weight of this evidence. The statements are not accompanied by a statement of truth, so they must be treated as hearsay evidence. The statements have probably been prepared by SEL (or its legal advisors) and the distributors have signed what they were shown without checking the details as closely as they might have. On the other hand, I see no reason to believe that the distributors would sign something that was fundamentally wrong. Therefore, in circumstances where the letters really do no more than confirm what one would normally expect a UK distributor of products of this kind to do with them (i.e. sell them on in the local market), I feel able to attach some weight to these letters. In that connection, I note that some of the goods imported were re-sold in the Irish market, which plainly could include Eire and therefore include territory outside of the UK. However, on the balance of probability, it seems very likely that at least a significant proportion of the goods would have been re-sold within the UK. On that basis SEL would have had a larger number of UK customers than just the two identified in the evidence.

62. The second limb of the attack on this evidence is that it does not show that the goods still bore that SALZER mark when they were re-sold. Counsel for Yueqing did not challenge the truth of Mr Doraiswamy's evidence that the 'Salzer' trade mark was used on the packaging for load break switches, on the installation and usage instructions, and on labels affixed to the goods themselves. There does not appear to be any reason for the distributors to remove the SALZER mark prior to re-sale of the products. In the case of the installation and usage instructions, it seems most unlikely that the mark could be removed without re-printing the whole documents. I therefore find that, on the balance of probability, the goods were re-sold with the SALZER mark, at least on the installation and usage instructions. The mark of the manufacturer of the load break switches would therefore have been apparent to the UK businesses that bought the SALZER products from the UK distributors. Consequently, the manufacturer's goodwill in those products appears to belong to SEL.

63. I have taken into account Ms Brindle's evidence that a search of the distributors websites conducted in May 2015 did not find any SALZER branded products on sale. However, I do not find it sufficient to undermine the evidence described above.

64. For the reasons I have given, I find that SEL has established that it owned a protectable goodwill in the UK at the relevant dates in relation to a trade in load break switches and related goods under the mark SALZER.

Is any goodwill generated in the UK under SALZER owned by SEL or the German company called Sälzer Schaltgeratefabrik?

65. Counsel for Yueqing submitted that SEL's right to use the SALZER mark stemmed from an agreement dated 14<sup>th</sup> June 1984 between Mr Doraiswamy and Sälzer Schaltgeratefabrik. He drew my attention to Mr Doraiswamy's evidence that:

*"...we (i.e. me and my company) have always had permission and full approval from the German founder, in relation to our use of the 'Salzer' name".*

66. In this connection, my attention was drawn to section 3-147 of the fourth edition of Wadlow's 'The Law of Passing Off', which points out that where there is a licence or a similar agreement between a licensor and a licensee, any goodwill in the business conducted under the mark will usually belong to the licensor. Further, where a licence is terminated, as this one was long before the relevant dates<sup>20</sup>, the licensor's claim to the goodwill generated under the licence is not weakened by the termination of the licence<sup>21</sup>.

67. However, although article 6 of the agreement did indeed give Mr Doraiswamy the right to make reference to SALZER, the nature of the agreement in question was not a trade mark licence agreement, but a technical co-operation agreement. Apparently recognising as much, Counsel for Yueqing also drew my attention to section 3-149 of Wadlow's which states that:

"3-149

The licensing of patent or similar rights, and even the provision of know-how and technical assistance, do not result in the licensor having any interest in the goodwill of the business carried on by the licensee. Such agreements, in which the licensee traded on its own account with the assistance of the licensor but not under its control, are to be found in *Oertli v Bowman*, *Sturtevant v Sturtevant Mill Co of USA*, and perhaps *Jaeger v Jaeger & Co*. In all of these the goodwill was held to belong exclusively to the licensee, and in the last two the former licensor was prevented from using its own name in competition with the licensee. If the licensor of technology wishes to obtain the benefit of the goodwill in the licensed field for himself, he should therefore reserve and exercise control over how the licensed technology is

---

<sup>20</sup> It is not clear exactly when the technical co-operation agreement was terminated, but it was no later than 1993.

<sup>21</sup> Per Lindsay J. in *Gromax v Don & Low Nonwovens* [1999] RPC at page 388

used and ensure that customers have notice of the fact. If the licensee uses the name of the licensor or any of his marks it should be made clear that this is under a revocable licence.”

68. I do not see where this takes Yueqing’s case on the facts before me. Firstly, there is no suggestion that Sälzer Schaltgeratefabrik ever traded in the UK. Secondly, there is no challenge to Mr Doraiswamy’s evidence that SEL manufactured the goods exported to the UK. Thirdly, there is no evidence that SEL ever acknowledged any licensed technology in its dealings with its UK customers. All of this supports Mr Doraiswamy’s conclusion that *“my company has traded extensively in the UK and thus the resulting goodwill...in the UK belongs to my company and my company alone.”* In any event, it is clear from article 2(c) of the agreement that it never covered goods exported to Western Europe (and therefore goods exported to the UK). Consequently, the agreement is irrelevant.

69. For these reasons, I reject the submission made by Counsel for Yueqing that the UK goodwill belongs to the German company with the consequence that SEL is not entitled to bring an application for invalidation<sup>22</sup>.

Would Yueqing’s use of SALZER have amounted to a misrepresentation at the relevant dates?

70. Halsbury’s Laws of England (4th Edition) provides the following guidance on this matter.

“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;

---

<sup>22</sup> By virtue of section 5(2)(b) of the Trade Mark (Relative Grounds) Order 2007, SI 2007/1976

(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.”

71. I have found that SEL had a well established business in the UK at the relevant dates under the SALZER mark as a manufacturer of load break switches and associated goods. The goods appear to be used as parts of complex products for the purpose of breaking the current supply.

72. The IR covers a range of goods in classes 9 and 11. Yueqing’s counterstatement denied the relevance of SEL’s claimed goodwill to the ground for invalidation of the IR under s.5(4)(a) in relation to signal lanterns and protective helmets in class 9, or any of the goods for which the IR is protected in class 11. However, the description of the goods SEL claims to have sold in the UK is wider in the application for invalidation<sup>23</sup> than subsequently shown in SEL’s evidence. Consequently, Yueqing’s initial failure to deny the relevance of SEL’s claimed goodwill to the other goods in class 9 covered by its IR, does not remove the need for me to decide which of the goods covered by the IR are relevant to SEL’s established UK goodwill. There is no direct evidence which assists me in this respect, but in my judgment, ‘circuit breakers; stabilized voltage power supply; fuse; switches, electric’, ‘relays’ and ‘instrument transformers’ are the same or closely similar goods to load break switches.

73. I find that ‘plugs, sockets and other contacts (electric connections); sockets, plugs and other contacts (electric connections); material for electricity mains (wires, cables)’ are goods capable of being used as parts or fittings for load break switches.

74. A ‘watt-hour meter’ is for measuring the use of electricity, which does not appear to me to be the same, similar or for a related purpose to load break switches.

---

<sup>23</sup> See paragraph 10 above.

'Measuring apparatus' on the other hand is wide enough to cover electrical components for use with load break switches.

75. Electric capacitors and signal lanterns are electrical components which do not appear to me to have the same, similar or a related purpose to load break switches.

76. However, it appears likely that all of the goods described above would be sold through the same channels of trade. There is therefore similarity between the respective fields of commercial activity, at least to this extent.

77. I do not know what a 'lighting arrestor' is. It is possible that this is supposed to read 'lightning arrestor'. I have no idea whether light(n)ing arrestors, or alarms, protective helmets, electric welding apparatus, chargers for electric batteries, or computer peripheral devices are normally made by the same sort of businesses, or sold through the same channels of trade, as load break switches. I cannot therefore be satisfied that they are. The most that can be said is that, protective helmets apart, they are all electrical goods. The respective fields of activity therefore only overlap at a high level of generality.

78. The same can be said for all the goods in class 11 for which the IR is protected.

79. I conclude that the respective fields of activity overlap at least so far as 'circuit breakers; stabilized voltage power supply; fuse; switches, electric; relays; instrument transformers; plugs, sockets and other contacts (electric connections); sockets, plugs and other contacts (electric connections); material for electricity mains (wires, cables), watt-hour meters, measuring apparatus; electric capacitors and signal lanterns ' are concerned.

80. The respective marks are self evidently identical, even down to same adaption of the same typescript.

81. SEL's mark is applied to the goods and their packaging, and also used in the installation and usage instructions. I see nothing unusual about the manner of the use shown.

82. Counsel for Yueqing submitted that the manner in which the trade is conducted and the type of people conducting it are good reasons to be sceptical as to whether there will be an operative misrepresentation. In particular, he submitted that the UK distributors' familiarity with SEL will prevent anyone else from being mistaken for SEL. I accept that an above average level of care and attention is likely to be paid by a trader or tradesperson considering buying a load break switch or similar products or fittings. This is a factor which reduces the likelihood of misrepresentation (and damage). However, it is necessary to consider all the circumstances in which Yueqing's mark might be used. This includes use in advertising and through third

parties, such as distributors and retailers. Further, the relevant public includes SEL's UK customers and potential customers, i.e. all those who have come across the product in use in the UK and might be moved to buy SALZER products in future. As Morritt L.J. stated in *Neutrogena Corporation and Another v Golden Limited and Another*<sup>24</sup>:

“This is the proposition clearly expressed by the judge in the first passage from his judgment which I quoted earlier. There he explained that the test was whether a substantial number of the plaintiff's customers or potential customers had been deceived for there to be a real effect on the plaintiff's trade or goodwill.” (emphasis added)

83. I do not therefore regard the manner in which the trade is carried on, or the type of person conducting it, as sufficient to exclude the possibility of misrepresentation with resulting damage to the SEL's goodwill.

84. In my view, the identity of the marks, coupled with the fact that SALZER (especially in the form in which the IR is registered) is of above average distinctiveness in the UK, creates a high likelihood of deception if Yueqing's mark is put to normal and fair use in the same field of commercial activity as SEL's earlier right.

85. It is true that the test for misrepresentation is whether a substantial number of members of the public will be misled. However, as Morritt L.J. stated in *Neutrogena Corporation and Another v Golden Limited and Another*.

“... for my part, I think that references, in this context, to “more than *de minimis*” and “above a trivial level” are best avoided notwithstanding this court's reference to the former in *University of London v. American University of London* (unreported 12 November 1993) . It seems to me that such expressions are open to misinterpretation for they do not necessarily connote the opposite of substantial and their use may be thought to reverse the proper emphasis and concentrate on the quantitative to the exclusion of the qualitative aspect of confusion.”

86. I do not therefore accept that the fact that SEL may have only a small number of UK customers means that there can be no misrepresentation, even if they are all deceived. Indeed, I did not understand Counsel for Yueqing to argue that the legal test required anything more than that there was a likelihood of deception amongst a substantial proportion of whatever customers SEL has.

87. Therefore, even if I am wrong to find that SEL's UK goodwill extends further than its two existing direct UK customers, I would still find that there is a sufficient likelihood of deception. This is because the identity/distinctiveness of the marks is

---

<sup>24</sup> [1996] RPC 473

sufficient to cause deception even amongst those used to dealing with SEL. Use of the very same mark by another party is likely to be enough to deceive anyone into believing that SEL's goods are now available in the UK market via a third party. Deception of that kind will not be avoided irrespective of the level of attention SEL's customers exercise when selecting the goods. This is because, assuming normal and fair use of the contested IR, there is no difference between the marks which could prevent deception, and factors extraneous to Yueqing's normal and fair use of its IR are irrelevant.

88. I find that the position is different where the respective fields of activity do not overlap, or at least have not been shown to overlap. In these circumstances, I find that the narrow and 'niche' nature of SEL's goodwill in the UK is sufficient to avoid the likelihood of deception.

### Damage

89. In *Harrods Limited V Harrodian School Limited*<sup>25</sup>, Millett L.J. described the requirements for damage in passing off cases like this:

"In the classic case of passing off, where the defendant represents his goods or business as the goods or business of the plaintiff, there is an obvious risk of damage to the plaintiff's business by substitution. Customers and potential customers will be lost to the plaintiff if they transfer their custom to the defendant in the belief that they are dealing with the plaintiff. But this is not the only kind of damage which may be caused to the plaintiff's goodwill by the deception of the public. Where the parties are not in competition with each other, the plaintiff's reputation and goodwill may be damaged without any corresponding gain to the defendant. In the *Lego* case, for example, a customer who was dissatisfied with the defendant's plastic irrigation equipment might be dissuaded from buying one of the plaintiff's plastic toy construction kits for his children if he believed that it was made by the defendant. The danger in such a case is that the plaintiff loses control over his own reputation.

90. Where the respective goods at issue in this case are in competition there is an obvious likelihood of damage to SEL's goodwill through diversion of trade to Yueqing. Where they are not, but the goods are sold in the same field of trade, such as capacitors, there is a clear likelihood of damage to SEL's goodwill from the loss of control over its reputation and its inability to prevent goods of lower quality than its own from entering the UK market under the same mark.

---

<sup>25</sup> [1996] RPC 697

## **Outcome of s.5(4)(a) ground**

91. I find that the IR 911449 is invalidly protected in the UK in relation to:

### **Class 9**

Circuit breakers; stabilized voltage power supply; fuse; switches, electric; relays, electric; instrument transformers; plugs, sockets and other contacts (electric connections); sockets, plugs and other contacts (electric connections); material for electricity mains (wires, cables), watt-hour meters, measuring apparatus; capacitors and signal lanterns.

92. I find that the application for invalidation under s.5(4)(a) fails in respect of the balance of the goods for which the IR is protected, namely:

### **Class 9**

Light(n)ing arrestors, alarms, protective helmets, electric welding apparatus, chargers for electric batteries, computer peripheral devices.

### **Class 11**

Lighting apparatus and installations; cooking apparatus and installations; hydrants; sanitary apparatus and installations; radiators, electric; air conditioning installations; glass fibre reinforced plastic axis flow air blower; lighting apparatus for vehicles; electric hair dryers.

## **Costs**

93. Both parties have achieved a roughly equal measure of success. Therefore, I would normally order each side to bear its own costs. I have asked myself whether there is a good reason to do anything else. I indicated earlier that I have serious concerns about the credibility of some of Zhou Xinglun's evidence. However, as the witness has not been tested on this evidence, I do not consider it appropriate to go so far as to find that the documents in question are fabrications or otherwise false documents. That being so, I direct that each side should bear its own share of the costs for the s.5(4)(a) proceedings against IR 911449.

**Dated this 8<sup>TH</sup> day January 2016**

**Allan James  
For the Registrar**