

**O/083/16**

**TRADE MARKS ACT 1994**

**CONSOLIDATED PROCEEDINGS**

**APPLICATION 500760 BY PROFESSIONAL COMPOUNDING  
CENTERS OF AMERICA, INC  
FOR THE REVOCATION OF TRADE MARK REGISTRATION 2293429**

**LIPODERM**

**IN THE NAME OF VITABIOTICS LTD**

**AND**

**TRADE MARK APPLICATION NO. 3048352  
BY PROFESSIONAL COMPOUNDING CENTERS OF AMERICA, INC  
TO REGISTER THE TRADE MARK**

**LIPODERM**

**AND THE OPPOSITION THERETO UNDER NUMBER 402835  
BY VITABIOTICS LTD**

## Background

1. On 25 March 2014, Professional Compounding Centers of America, Inc (“the applicant”) applied for the trade mark LIPODERM in Class 5 for *Pharmaceutical and medicated preparations for topical, transdermal and skin care use; base cream for use with or in the manufacture of pharmaceutical preparations; lipophilic liposomic cream used as a base in preparations for transdermal delivery of pharmaceutically active ingredients.*

2. The application was published in the Trade Marks Journal on 13 June 2014, following which Vitabiotics Ltd (“Vitabiotics”) opposed the application on the basis of section 5(2)(a) of the Trade Marks Act 1994 (“the Act”). Vitabiotics bases its ground of opposition on some of the goods of its earlier mark:

2293429

LIPODERM

*Class 5: Pharmaceutical preparations, dermatological products for medical conditions, all for human use.*

Filing date: 21 February 2002; date of completion of the registration procedure: 17 January 2003.

3. Vitabiotics claims:

“The application LIPODERM is for an identical Trade Mark in the same class (5) as our registered Trade Mark LIPODERM with exactly the same use as our forthcoming patent protected product.

LIPODERM reflects the oil phase of our patent protected product, which combines two bioactive phases to create a freshly prepared skin elixir”.

4. The earlier mark was registered more than five years prior to the date on which the application was published. Earlier marks which were entered on the register five years or more before the date on which the opposed mark was published are subject to proof of their use, as per section 6A of the Act. In its notice of opposition, Vitabiotics does not rely upon use, but instead states that the mark has not been used. In response to the question in the statutory opposition form (TM7) about proper reasons for non-use, Vitabiotics states:

“The product is due for launch in 2015”.

5. The applicant filed a defence and counterstatement in which it requested proof of proper reasons for non-use. At this point, the applicant notified Vitabiotics that it intended to file an application for the revocation of earlier mark 2293429 on the grounds of non-use. The action was subsequently filed under sections 46(1)(a) and 46(1)(b) of the Act, on the grounds that the trade mark has not been put to genuine use for any of the registered goods, the full specification being:

*Class 3: Tonics and balms for the hair, all for human use.*

*Class 5: Pharmaceutical preparations, vitamin and mineral preparations, dermatological products for medical conditions, all for human use.*

5. The applicant sets out two periods during which it claims that there was no genuine use of the trade mark:

(i) 18 January 2003 to 17 January 2008 (the 46(1)(a) period): effective date of revocation 18 January 2008;

(ii) 13 November 2009 to 12 November 2014 (under 46(1)(b)): effective date 13 November 2014.

6. Vitabiotics filed a defence and counterstatement, defending all the goods of the registration and stating:

“Vitabiotics has a significant plan for the LIPODERM Trade Mark in relation to our patented product Twin Serum, planned for exclusive launch with Alliance Boots in 2015.

Since the original filing of the LIPODERM trade mark, the Twin Serum product has been in extensive ongoing research and development, and formulation refinements.

The launch of the Twin Serum product has also been delayed by further technical problem solving and complex clinical studies and patent applications”.

7. The proceedings were consolidated and a hearing took place before me on 2 February 2016, via video conference. The applicant was represented by Mr Jeremy Heald, of Counsel, instructed by Forresters. Vitabiotics was represented by Mr Robert Taylor, its Vice President and Marketing Director. Only Vitabiotics filed evidence. The applicant filed two sets of written submissions during the evidence rounds.

#### **Relevant dates for proving proper reasons for non-use**

8. The relevant dates in the opposition proceedings are 12 June 2009 to 13 June 2014. The relevant dates in the revocation proceedings are set out above, in paragraph 5.

#### **Evidence**

9. Mr Taylor has filed two sets of evidence. The first relates to the opposition. Following the consolidation of the revocation proceedings with the opposition, the second set of evidence relates to both the opposition and the revocation proceedings. Some of the evidence is subject to a confidentiality order.

First witness statement, dated 12 March 2015

10. Mr Taylor states that he has been Vitabiotics' Vice President and Marketing Director since 1997. This statement is very short. It is virtually identical to the wording of the revocation counterstatement, which I have reproduced above in paragraph 6 of this decision, save that it also refers to an Appendix 1. This consists of the packing in development:



Second witness statement, dated 7 August 2015

11. Mr Taylor states that since the time of the application for trade mark 2293429 by Vitabiotics in 2002 (and before), Vitabiotics' founder, Dr Kartar Lalvani, has led the team working on the research and development of *Perfectil Twin Serum*. He states that this is a ground-breaking formula and is the patented result of two decades of British research into the science of wrinkle repair. Mr Taylor explains that it represents the first anti-aging, dual phase serum of its kind in the world and that it has been the subject of a recent high level French clinical trial.

12. Mr Taylor states that the LIPODERM trade mark is intended as an integral part of the *Perfectil Twin Serum* branding. The serum is formed from two distinct phases. The oil phase is called LIPODERM. Mr Taylor states:

“6. The product has taken many years of research, but has been further delayed in recent years due to a number of technical formulation issues resulting in the need to undertake additional scientific testing. This delay has in fact proved to be beneficial in terms of Research and Development as the formula has been further refined and clinically tested in world class research, which will aid its commercial success. During this time two further clinical studies, and two Patent applications following the original patent application supporting the product, have been made.”

13. Appendix 1 to the second witness statement consists of a UK patent application dated 25 February 2009, filed by Mr Taylor, Mr Kartar Lalvani and Mr Ajit Lalvani. The patent description matches the general product description which Mr Taylor has given.

14. Appendix 2 is subject to a confidentiality order.

*Redacted*

15. Appendix 3 is subject to a confidentiality order.

*Redacted*

16. Appendix 4 is subject to a confidentiality order.

*Redacted*

17. Mr Taylor ends his statement by stating that *Perfectil Twin Serum* “is currently planned to launch in Spring 2016, however the current action is causing needless uncertainty for Vitabiotics, arising from the Opponent’s [the applicant’s] attempt to cancel our legitimate UK trade mark.”

## **Decision**

### The application for revocation on the grounds of non-use

18. Section 46 of the Act reads as follows:

“(1) The registration of a trade mark may be revoked on any of the following grounds—

(a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;

(b) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use;

(c) that, in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service for which it is registered;

(d) that in consequence of the use made of it by the proprietor or with his consent in relation to the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services.

(2) For the purposes of subsection (1) use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, and use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes.

(3) The registration of a trade mark shall not be revoked on the ground mentioned in subsection (1)(a) or (b) if such use as is referred to in that paragraph is commenced or resumed after the expiry of the five year period and before the application for revocation is made.

Provided that, any such commencement or resumption of use after the expiry of the five year period but within the period of three months before the making of the application shall be disregarded unless preparations for the commencement or resumption began before the proprietor became aware that the application might be made.

(4) An application for revocation may be made by any person, and may be made either to the registrar or to the court, except that—

(a) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court; and

(b) if in any other case the application is made to the registrar, he may at any stage of the proceedings refer the application to the court.

(5) Where grounds for revocation exist in respect of only some of the goods or services for which the trade mark is registered, revocation shall relate to those goods or services only.

(6) Where the registration of a trade mark is revoked to any extent, the rights of the proprietor shall be deemed to have ceased to that extent as from——

(a) the date of the application for revocation, or

(b) if the registrar or court is satisfied that the grounds for revocation existed at an earlier date, that date.”

19. The burden of proving use (or proper reasons for non-use) lies with Vitabiotics, pursuant to section 100 of the Act, which states:

“If in any civil proceedings under this Act a question arises as to the use to which a registered trade mark has been put, it is for the proprietor to show what use has been made of it.”

20. *Kerly’s Law of Trade Marks and Trade Names* (Fifteenth Edition)<sup>1</sup> refers to Article 19(1) of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) 1994:

“References to proper reasons for non-use need to be interpreted in accordance with art.19(1) of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) which uses the expression valid reasons based on the existence of obstacles to the genuine use which is required. The provision continues:

Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other governmental requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non-use.”

21. The Court of Justice of the European Union (“CJEU”), referring to Article 19(1) of TRIPS, held in *Armin Häupl v Lidl Stiftung & Co. KG*, Case C-246/05 (my emphasis):

“50 It is therefore necessary to determine what kind of circumstances constitute an obstacle to the use of the trademark within the meaning of that provision. Although, quite often, circumstances arising independently of the will of the owner of the trademark will at some time hinder the preparations for the use of that mark, the difficulties in question are difficulties which can be overcome in a good many cases.

51 In that respect, it should be noted that the eighth recital in the preamble to the Directive states that 'in order to reduce the total number of trade marks registered ... in the Community ... it is essential to require that registered trade marks must actually be used or, if not used, be subject to revocation'. It appears in the light of that recital that it would be contrary to the scheme of Article 12(1) of the Directive to confer too broad a scope on the concept of proper reasons for non-use of a mark. Achievement of the objective set out

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<sup>1</sup> Chapter 10-85

in that recital would be jeopardised if any obstacle, however minimal yet none the less arising independently of the will of the owner of the trade mark, were sufficient to justify its non-use.

52 In particular, as correctly stated by the Advocate General in [79] of his Opinion, it does not suffice that “bureaucratic obstacles”, such as those pleaded in the main proceedings, are beyond the control the trade mark proprietor, since those obstacles must, moreover, have a direct relationship with the mark, so much so that its use depends on the successful completion of the administrative action concerned.

53 It must be pointed out, however, that the obstacle concerned need not necessarily make the use of the trade mark impossible in order to be regarded as having a sufficiently direct relationship with the trade mark, since that may also be the case where it makes its use unreasonable. If an obstacle is such as to jeopardise seriously the appropriate use of the mark, its proprietor cannot reasonably be required to use it nonetheless. Thus, for example, the proprietor of a trade mark cannot reasonably be required to sell its goods in the sales outlets of its competitors. In such cases, it does not appear reasonable to require the proprietor of a trade mark to change its corporate strategy in order to make the use of that mark nonetheless possible.

54 It follows that only obstacles having a sufficiently direct relationship with a trade mark making its use impossible or unreasonable, and which arise independently of the will of the proprietor of that mark, may be described as “proper reasons for non-use” of that mark. It must be assessed on a case-by-case basis whether a change in the strategy of the undertaking to circumvent the obstacle under consideration would make the use of that mark unreasonable. It is the task of the national court or tribunal, before which the dispute in the main proceedings is brought and which alone is in a position to establish the relevant facts, to apply that assessment in the context of the present action.

55 Having regard to the foregoing considerations, the answer to the second Proper question referred for a preliminary ruling must be that Art.12(1) of the Directive must be interpreted as meaning that obstacles having a direct relationship with a trade mark which make its use impossible or unreasonable and which are **independent of the will of the proprietor** of that mark constitute “proper reasons for non-use” of the mark. It is for the national court or tribunal to assess the facts in the main proceedings in the light of that guidance.”

22. I have highlighted “independent of the will of the proprietor” because this aspect of ‘proper reasons for non-use’ is key. At the hearing, Mr Taylor emphasised the words in paragraph 6 of his first witness statement (which formed the counterstatement in the revocation action); that the launch of the Twin Serum product (Lipoderm being one of the two components contributing to the twin aspect of the product) has been delayed by technical problem solving, complex clinical studies and patent applications. However, Mr Taylor also accepted at the hearing that there was no requirement for Vitabiotics to have applied for or secured a patent.



Clinical trials were tied to the desire to state that the products was clinically proven, but this was unnecessary prior to bringing the product to market: it was a marketing choice. This, therefore, takes the patent(s) and clinical trials out of the scope of being factors which are 'independent of the will of the proprietor'. Vitabiotics had control of whether it filed patents or undertook clinical trials; applying *Armin Häupl*, it was its choice to pursue these avenues.

23. This leaves the third aspect of Mr Taylor's evidence and submissions at the hearing: that launch had been delayed by technical problem solving. This emerged as a problem relating to the stability of the product, but the exact nature of the problems is not explained in the evidence, nor, importantly, when exactly the problems arose and how much impact they had. In *Nazneen Investments Ltd v Office for Harmonisation of the Internal Market (OHIM)*, case T-250/13, the General Court ("GC") stated:

"According to the case-law, 'proper reasons' refers to circumstances unconnected with the trade mark proprietor rather than to circumstances associated with his commercial difficulties (see, to that effect, judgment of 9 July 2003 in *Laboratorios RTB v OHIM — Giorgio Beverly Hills (GIORGIO AIRE)*, T-156/01, ECR, EU:T:2003:198, paragraph 41). The problems associated with the manufacture of the products of an undertaking form part of the commercial difficulties encountered by that undertaking."

24. Mr Heald characterised technical problem solving as a normal 'R&D' issue, and submitted that R&D is an ordinary commercial activity. I agree. Mr Heald pointed out that a manufacturer controls three aspects of R&D: the initial objectives, resources, and when to change objectives, for example, if the original objective turns out to be over-ambitious. Mr Taylor states that the research and development delay has been beneficial because the formula has been further refined and clinically tested, which will aid its commercial success. This suggests that Vitabiotics' priority has been to perfect its formula.

25. Mr Taylor's evidence, supported by his submissions at the hearing, shows the Twin Serum product, of which LIPODERM is a component, is a unique, ground-breaking skincare product and that this has meant that it has taken a long time to go through the research and formula refinement process. Although the earliest document in the evidence dates from 2009 (the patent application), it appears that research predates this. Vitabiotics' pleadings refer to the product launch as being scheduled for 2015; yet Mr Taylor's evidence puts the date back to Spring 2016 (at the hearing he said it had been further rescheduled for Summer 2016). The trade mark application was made in 2002 and it was registered in 2003.

*Part of this paragraph is redacted*

The content of the reports has not been filed in evidence, so there is no way of knowing what might have been the cause of the technical problems. The editors of *Kerlys* describe the period of five years from the date of registration in which to

commence use of a mark as “generous”<sup>2</sup>. It is now well over twice that period of time and the mark has still not been used on the market.

26. I understand Mr Taylor’s submission that his company has devised an innovative skincare product and that because of its uniqueness, the research and development has taken longer than more established technology. He does not see why his company should relinquish the trade mark it has registered to market this innovative product (once the product is ready). Of course, the various intellectual property regimes are there precisely to encourage and reward innovation, trade and to promote healthy marketplace competition<sup>3</sup>. But there is a balance to be struck. Unlike a patent or a registered design, a trade mark registration (provided the renewal fees are paid) is a perpetual monopoly. The *quid pro quo* of being granted such a monopoly is that the mark must be put to genuine use. Five years is allowed for this purpose; after this time, the mark becomes vulnerable to attack. If the mark is not used, it becomes the antithesis of innovation and healthy trade competition because it clutters the trade mark register, reducing the scope of choice of marks for those who are ready to trade. This is a public interest matter, described by Jacob J (as he then was) in *Laboratories Goemar SA’s Trade Mark No.1* [2002] E.T.M.R. 34, at paragraph 19:

“(a) There is an obvious strong public interest in unused trade marks not being retained on the registers of national trade mark offices. They simply clog up the register and constitute a pointless hazard or obstacle for later traders who are trying actually to trade with the same or similar marks. They are abandoned vessels in the shipping lanes of trade.

(b) The 8th recital of the Directive gives express recognition of that public interest. It says:

“Whereas in order to reduce the total number of trade marks registered and protected in the Community and, consequently, the number of conflicts which arise between them, it is essential to require that registered trade marks must actually be used or, if not used, be subject to revocation.””

27. It was foreseeable that, having opposed the applicant’s mark, Vitabiotics should be asked to substantiate its statement that it had proper reasons why the mark, in over ten years, had not been used (which, in turn led to the revocation application). Mr Taylor makes the suggestion that the proceedings have added to the delay but, as the GC stated in *Nazneen*, “the fact that revocation proceedings have been brought against a trade mark does not prevent the proprietor of that mark from using it” (paragraph 71). The evidence put forward does not meet the tests set out above; in particular, there were no obstacles which were independent of the will of

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<sup>2</sup> Presumably because Article 19 of TRIPS specifies that a registration may be cancelled after an uninterrupted period of at least three years of non-use.

<sup>3</sup> Trips Article 7: “The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.”

Vitabiotics within the relevant periods. Vitabiotics accepts that its patents and clinical trials were its choice, which means the delays caused by them were also its choice. The technical problem solving was an inherent part of R&D, which, for a manufacturer, forms part of the normal risk landscape of bringing a product to market (in terms of resources and changing objectives). This is not an obstacle independent of the will of the proprietor. Further, the lack of explanation in the evidence as to the reasons for the problems, their impact and when they occurred is not explained. I have not been able to assess them objectively. The CJEU confirmed in *Il Ponte Finanziaria SpA v OHIM*, Case C-243/06P, [2008] ETMR 13 at paragraph 102: “The concept of “proper reasons” ... refers essentially to circumstances unconnected with the proprietor of a trade mark which prevent him from using the mark ...”. Vitabiotics/Mr Taylor gives a subjective view of the reasons for non-use. If proper reasons for non-use were to be based on a proprietor’s view of the problems encountered, all proprietors in the position of not having used their marks would have proper reasons. This would render the policy set out by Jacob J in *La Mer* ineffective. The test is an objective one, based on the caselaw and the (generous) period of five years allowed for commencement of genuine use.

28. Fundamentally, notwithstanding the deficiencies discussed above, there is no evidence from the five year section 46(1)(a) period. The earliest evidence is the patent application, from 2009. The section 46(1)(a) period ended in 2008. This means that the application for revocation succeeds and that the mark is revoked from 18 January 2008, under section 46(6)(b) of the Act.

### **Revocation outcome**

**29. Registered mark 2293429 is revoked from 18 January 2008.**

### **Opposition outcome**

30. The consequence of the successful revocation action, with an effective date of 18 January 2008, is that 2293429 was not an earlier mark under section 6 of the Act when the applicant filed its trade mark application (3048352) in 2014. There is, therefore, no legal basis for Vitabiotics’ section 5(2)(a) ground. The opposition fails.

### **Costs**

31. The applicant has been successful in its revocation application and in defending its application for a trade mark. It is entitled to a contribution towards its costs, based upon the scale of costs<sup>4</sup>. Bearing in mind the consolidated nature of the proceedings, I award costs as follows:

Considering the opposition and preparing a counterstatement	£200
Preparing the revocation application and considering the counterstatement	£200

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<sup>4</sup> As set out in Tribunal Practice Notice 4/2007.

Fee for Form TM26(N)	£200
Considering Vitabiotics' evidence and filing written submissions	£500
Preparing for and attending a hearing	£600
<b>Total</b>	<b>£1700</b>

32. I order Vitabiotics Ltd to pay Professional Compounding Centers of America, Inc the sum of £1700 which, in the absence of an appeal, should be paid within fourteen days of the expiry of the appeal period.

**Dated this 15<sup>th</sup> day of February 2016**

**Judi Pike  
For the Registrar,  
the Comptroller-General**