

O/594/21

TRADE MARKS ACT 1994

IN THE MATTER OF REGISTRATION NO. UK00003422624

IN THE NAME OF PUR PRODUCTS LTD

FOR THE TRADE MARK:

PURANOL

IN CLASS 1

AND

AN APPLICATION FOR A DECLARATION OF INVALIDITY NO. 503141

BY JIAHUA CHEMICALS, INC.

BACKGROUND AND PLEADINGS

1. PUR Products Ltd (“the proprietor”) is the registered proprietor of UK trade mark no. 3422624 for the mark **PURANOL** (“the Contested Mark”). The Contested Mark was filed on 20 August 2019 and registered on 20 December 2019. It stands registered for the following goods:

Class 1 Polyols for use in polyurethane industry.

2. On 22 May 2020, Jiahua Chemicals, Inc. (“the applicant”) applied to have the Contested Mark declared invalid under section 47 of the Trade Marks Act 1994 (“the Act”). The applicant relies upon sections 5(4)(a) and 3(6) of the Act.

3. Under section 5(4)(a), the applicant claims to have used the sign **PURANOL** throughout the UK since 13 October 2013 in relation to “polyether polyol – for use in the manufacture of polyurethane, amongst others”.

4. Under section 3(6), the applicant claims that the proprietor’s application for the Contested Mark was made in bad faith because the proprietor had knowledge of the applicant’s trade in the UK (it being a customer of the applicant) and its intention in filing the Contested Mark was to block the applicant’s use and/or gain some economic advantage as a result of the applicant’s goodwill.

5. The proprietor filed a counterstatement denying the claims made.

6. Both parties filed evidence in chief. The applicant did not file evidence in reply. The applicant is represented by IPEY and the proprietor is represented by Stratagem Intellectual Property Management Limited. Neither party requested a hearing and only the proprietor filed written submissions in lieu of attendance. This decision is taken following a careful perusal of the papers.

EVIDENCE AND SUBMISSIONS

7. The applicant filed evidence in chief in the form of the witness statement of Liu Jia dated 23 September 2020. Liu Jia has been the Senior Public Relations Manager of the applicant for 7 years. Liu Jia's statement was accompanied by exhibits A to R.

8. The applicant's evidence in chief was accompanied by written submissions dated 22 September 2020.

9. The proprietor filed evidence in chief in the form of the witness statements of Roy Brooks dated 22 December 2020 and Stephanie Davies dated 23 December 2020. Mr Brooks is a Director and Manager of PUR Products Limited and PUR Chemie Limited. He is also a polyurethane chemical expert in polyols and isocyanates. Mr Brooks' evidence is accompanied by 19 exhibits. Ms Davies is the Trainee Trade Mark Attorney acting on behalf of the proprietor in these proceedings. Her statement is accompanied by 1 exhibit.

10. The proprietor's evidence in chief was accompanied by written submissions dated 23 December 2020.

11. As noted above, the proprietor also filed written submissions in lieu dated 25 May 2021.

12. Whilst I do not propose to summarise the evidence and submissions here, I have taken them all into consideration and will refer to them below where necessary.

PRELIMINARY ISSUE

13. I note that Mr Brooks appears to place some weight on the fact that he came up with the name PURANOL and suggested it to the applicant. For example, he has filed a "to whom it may concern" letter from a third party which states "Mr Brooks joined Jiahua Chemicals Inc in 2013 to develop their Polyols business. [...] he introduced

them to the name whilst selling their Polyols [...]”.¹ Leaving aside the weight to be attributed to such evidence, creation of a name per se gives no legal right to it.² Consequently, I do not consider this line of argument assists the proprietor.

DECISION

14. Sections 5(4)(a) and 3(6) of the Act have application in invalidation proceedings by virtue of section 47 of the Act, which states as follows:

“47. (1) The registration of a trade mark may be declared invalid on the ground that the trade mark was registered in breach of section 3 or any of the provisions referred to in that section (absolute grounds for refusal of registration).

Where the trade mark was registered in breach of subsection (1)(b), (c) or (d) of that section, it shall not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered.

(2) Subject to subsections (2A) and (2G), the registration of a trade mark may be declared invalid on the ground-

(a) that there is an earlier trade mark in relation to which the conditions set out in section 5(1), (2) or (3) obtain, or

(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.

[...]

¹ Exhibit RB9

² *Harrods Limited v Harrodian School Limited* [1996] RPC 697

(5) Where the grounds of invalidity exist in respect of only some of the goods or services for which the trade mark is registered, the trade mark shall be declared invalid as regards those goods or services only.

(5A) An application for a declaration of invalidity may be filed on the basis of one or more earlier trade marks or other earlier rights provided they all belong to the same proprietor.

(6) Where the registration of a trade mark is declared invalid to any extent, the registration shall to that extent be deemed never to have been made: Provided that this shall not affect transactions past and closed.”

Section 5(4)(a)

15. Section 5(4)(a) of the Act states as follows:

“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, where the condition in subsection (4A) is met,

aa)...

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”.

16. Subsection (4A) of section 5 of the Act states:

“(4A) The condition mentioned in subsection (4)(a) is that the rights to the unregistered trade mark or other sign were acquired prior to the date of application for registration of the trade mark or date of the priority claimed for that application.”

17. In *Discount Outlet v Feel Good UK*, [2017] EWHC 1400 IPEC, Her Honour Judge Melissa Clarke, sitting as a deputy Judge of the High Court, conveniently summarised the essential requirements of the law of passing off as follows:

“55. The elements necessary to reach a finding of passing off are the ‘classical trinity’ of that tort as described by Lord Oliver in the *Jif Lemon* case (*Reckitt & Colman Product v Borden* [1990] 1 WLR 491 HL, [1990] RPC 341, HL), namely goodwill or reputation; misrepresentation leading to deception or a likelihood of deception; and damage resulting from the misrepresentation. The burden is on the Claimants to satisfy me of all three limbs.

56. In relation to deception, the court must assess whether “*a substantial number*” of the Claimants’ customers or potential customers are deceived, but it is not necessary to show that all or even most of them are deceived (per *Interflora Inc v Marks and Spencer Plc* [2012] EWCA Civ 1501, [2013] FSR 21).”

Preliminary Findings

What is the relationship between the various companies mentioned in the evidence and the parties in this case?

18. In their evidence, both parties mention various companies. For example, the proprietor refers to a company called PUR Chemie Ltd. Mr Brooks states that he is a director for both companies. However, these companies will be separate legal entities and there is nothing in the evidence to suggest any connection (other than one common director) between them. There is no reference to PUR Chemie Ltd acting with the consent of the proprietor. The same is also true of the company called PUR Products (Barbados) Ltd, which is mentioned in the evidence. However, as both

parties appear to treat these companies as companies associated with the proprietor, I will proceed on the same basis.

19. The applicant's evidence refers to companies called Jiahua Europe Limited, Jiahua Science & Technology Development (Shanghai) Ltd and Shanghai Fuija Fine Chemical Co. Ltd (Company) PRC ("Shanghai"). The only evidence that I have as to the connection between any of these companies and the applicant comes from the proprietor. Exhibit RB19 is a copy of a presentation filed by the proprietor which lists a number of the applicant's subsidiaries; one of these is Shanghai. I am satisfied that Shanghai is a subsidiary of the applicant. I have no evidence regarding Jiahua Europe Ltd. However, I note that in its Form TM26(I) the applicant states that this company is owned by the applicant. This is not challenged by the proprietor. In his evidence, Mr Brooks accepts that Jiahua Europe Limited was set up by the applicant. Consequently, I am content to proceed on the basis that Jiahua Europe Ltd is an associated company of the applicant. The same is not true of Jiahua Science & Technology Development (Shanghai) Ltd. There is no evidence before me to confirm the relationship between this company and the applicant. However, both parties appear to proceed on the basis that this company is also associated with the applicant. Consequently, I will also proceed on this basis.

Who owned any goodwill generated by the proprietor's sales of the goods?

20. The parties both accept that the proprietor has sold the applicant's goods in the UK. A key consideration in this case is which party would own any goodwill generated by those sales. It is convenient to deal with this point as a preliminary finding, given its impact on the other aspects of my decision.

21. No detail is provided in the Form TM26(I) as to the relationship between the parties. Mr Jia gives evidence that a contract was entered into between the parties on 1 March 2013, which continued with various substitutions made for the original parties to the contract, up until the end of February 2019. The agreements in question are in

evidence.³ The first agreement provided is dated 1 March 2013 and is between the proprietor and Shanghai. Clause 2 states:

“[...] [Shanghai] hereby retains the [proprietor] as an independent contractor with respect to the scope of services set forth in Exhibit A (Services). [The proprietor] hereby accepts such consulting engagement and hereby covenants and agrees to devote such time and effort as may be reasonably necessary to diligently and competently fulfil its obligations hereunder.”

22. Clause 3 states:

“[...] In the performance of the services, [the proprietor] shall have the sole and exclusive right to sell the Products to prospective clients in the following territories. Europe (Exhibit C). [Shanghai] agrees that all sales of Products in the exclusive territory during the term whether by [the proprietor], [Shanghai] or others, shall be deemed to constitute sales by [the proprietor] hereunder entitling [the proprietor] to commission pursuant to Section 4 hereof.”

23. Clause 4 states:

“[...] As further compensation for his performance of Services hereunder, [Shanghai] shall pay [the proprietor] a commission calculated according to the Commission Schedule attached hereto as Exhibit B and incorporated herein (Commission). The commission shall be deemed earned upon [Shanghai] receiving payment of each order from a customer. The commission shall be based upon the aggregate invoicing price of Product sales with payment settled in the Exclusive Territory during each month, and after each month is combined with the prior months in the same yearly period, the aggregate for each calendar year of the Term. For the purposes of the Commissions, the first yearly period shall begin on 1st March 2013 and end Feb 28th 2015.

³ Exhibit M

[The proprietor] shall be solely responsible for the payment of all taxes on the Monthly based fee and Commission. To fulfil the marketing objective of the company, [the proprietor] may employ some senior professionals to build up a team to carry out the services. [The proprietor] should reward such Key personnel with up to a proportion of 50% of the total commission in a way mutually agreed by and between [Shanghai] and [the proprietor].

[...]

[...] As compensation for his performance of Services hereunder, [Shanghai] shall pay to [the proprietor] a monthly fee of \$5000 USD as a minimum commission (Monthly base fee) if [Shanghai] decides to sell an annual quantity of products which derive less than \$60,000 USD annual Commission.”

24. The clause also deals with the payment of expenses to the proprietor for costs incurred in the provision of the services and the provision of office space from Shanghai to the proprietor.

25. Clause 5 states:

“[...] In performing this Agreement, [the proprietor] shall be and act as an independent contractor in all respects, and shall not, for any purposes be or act as an agent or employee of [Shanghai] or any of its affiliates, subsidiaries, successors or assigns. [The proprietor] shall follow the direction of the marketing strategy and consult with [Shanghai] on the method of operation in accomplishing any tasks that he may be assigned by [Shanghai]. [Shanghai] reserves the right of making decisions on pricing, credit terms and quantity allocation in each market segment. Except as otherwise required by law, [Shanghai] shall not withhold any sums from the payments to be made to [the proprietor] for social security or other federal, state, or local tax liabilities or contributions, and all withholdings, liabilities, and contributions shall be solely the [proprietor's] responsibility.”

26. Exhibit A to the contract states:

“Products

Products refer to [Shanghai]’s Polyols and Surfactant series and any new products developed within the Polyurethane and Surfactant applications areas.

Services

[The proprietor] shall provide services to [Shanghai] in the areas of sales and marketing, including customer visits, sampling, product qualification and promotion of the Products and the business of [Shanghai] and all aspects of the sale, distribution and delivery of the Products in the Exclusive Territory (Services). All these services should be in accordance with [Shanghai]’s generic strategy and marketing strategy in particular. [The proprietor] has the obligation to report its Services activities on a monthly basis to [Shanghai].”

27. Exhibit B to the contract states:

“Commission Schedule

The commission shall be calculated as follows:

1. Three percent (3%) of sales up to 5Kt in each calendar year plus
2. Two percent (2%) of sales from 5Kt to 10Kt in each calendar year, plus
3. One and a half percent (1.5%) of sales in excess of 10Kt in each calendar year
4. The percentage of sales in excess of 20Kt in each calendar year should be negotiated and mutually agreed. Unless disagreed this would likely to be one percent (1%)”

28. Exhibit C to the contract states:

“Exclusive Sales Territory

1. EU + CEE + Scandinavia. Turkey not to be included.
2. No commission to be paid for existing clients. Names of such clients to be given to [the proprietor] upon the signing of this Contract.
3. [The proprietor] has knowledge and information of clients outside the Exclusive area and [Shanghai] shall decide whether commission is deemed necessary on a client by client basis.”

29. A similar agreement is in evidence for the 2-year period from 1 March 2015 onwards. The most notable differences between the two contracts are that the latter provides for the provision of a monthly fee payable to the proprietor rather than a percentage commission and that it does not specify an exclusive territory.

30. A Novation Agreement dated 1 August 2015 is also in evidence. This is between the proprietor, Jiahua Science & Technology Development (Shanghai) Ltd and Shanghai. The agreement states:

“[Shanghai] and [the proprietor] are parties to Independent Contractor Agreement commencing on 1st March 2015, a copy of which are annexed hereto [“the Existing Agreement”];

All parties hereto have agreed that [Jiahua Science & Technology Development (Shanghai) Ltd] shall become a party to the Existing Agreement in place of [Shanghai]”

31. A similar Novation Agreement dated 1 January 2016 is also in evidence which states:

“[Jiahua Science & Technology Development (Shanghai) Ltd] and [the proprietor] are parties to Independent Contractor Agreement commencing on 1st August 2015, a copy of which are annexed hereto (“the Existing Agreement”).

All parties have agreed that [“PUR Products (Barbados) Ltd”] shall become a party to the Existing Agreement in place of [the proprietor]”.

32. A document entitled “Renewal and Amendment to the Independent Consulting Agreement” dated 1 March 2017 is also in evidence. This document is between PUR Products (Barbados) Ltd and Jiahua Science & Technology Development (Shanghai) Ltd and states:

“The Company hereby exercises the option to renew the agreement for two (2) additional years, from March 1 2017 to February 28 2019. All other Sections of the original agreement (effected on March 1 2015) and the Novation Agreement [effected on Jan 1 2016] are still in effect for this renewal period.”

33. The novation agreements appear to involve transferring interests in the original agreements to third parties. As noted above, I will treat these third parties as related to the parties to these proceedings on the basis that both parties appear to do so.

34. Clearly, there was a contractual relationship between the proprietor and Shanghai (and their successors). Unfortunately, there is nothing in the agreements to expressly identify who owns any goodwill generated in the UK. There is no suggestion by either party that such a term should be inferred. *Wadlow on the Law of Passing-Off*, 6th Ed., contains the following helpful guidance as to the ownership of goodwill as between manufacturers and distributors when there is no agreement covering the ownership of goodwill:

“3-293 The factors which influence the ownership of goodwill were encapsulated by Lord Reid in *Oertli v Bowman* [[1959] R.P.C. 1, 7 HL]:

“Bowmans made and marketed the *Turmix* machines without the appellants [plaintiffs] having controlled or having had any power to control the manufacture, distribution or sale of the machines, and without there having been any notice of any kind to purchasers that the appellants had any connection with the machines.”

3-294 There are two distinct, and not necessarily consistent, standards in this passage. One is to ask who is in fact most responsible for the character or quality of the goods; the other is to ask who is perceived by the public as being

responsible. The latter is (perhaps surprisingly) the more important, but it does not provide a complete answer to the problem because in many cases the relevant public is not concerned with identifying or distinguishing between the various parties who may be associated with the goods. If so, actual control provides a less decisive test, but one which does yield a definite answer.

3-295 To expand, the following questions are relevant as to who owns the goodwill in respect of a particular line of goods, or, mutatis mutandis, a business for the provision of services: (1) Are the goods bought on the strength of the reputation of an identifiable trader? (2) Who does the public perceive as responsible for the character or quality of the goods? Who would be blamed if they were unsatisfactory? (3) Who is most responsible in fact for the character or quality of the goods? (4) What circumstances support or contradict the claim of any particular trader to be the owner of the goodwill? For example, goodwill is more likely to belong to the manufacturer if the goods are distributed through more than one dealer, either at once or in succession. If more than one manufacturer supplies goods to a dealer and they are indistinguishable, the dealer is more likely to own the goodwill [See *Gromax v Don & Low* [1999] R.P.C. 367 (Lindsay J).]”

35. I shall address each of these questions in turn.

Are the goods bought on the strength of the reputation of an identifiable trader?

36. It does not seem to be disputed that Mr Brooks is well respected in his field; perhaps it is this reputation that has attracted customers to place orders through the proprietor. However, there is evidence before me of Jiahua Europe Limited, a company related to the applicant, also selling goods under the Contested Mark in the UK. Consequently, customers cannot have relied heavily on Mr Brooks’ personal reputation when ordering the products.

Who does the public perceive as responsible for the character or quality of the goods?

37. In this regard, I note the following:

- a) There are invoices issued by the proprietor dated 2015 to 2017 which are addressed to customers in Manchester, Warwick and Oxfordshire.⁴ In total, these invoices amount to over £1.6million. They all relate to PURANOL and make no reference to the applicant.
- b) There are invoices issued by Jiahua Europe Limited between February 2017 and April 2018.⁵ Some of these are addressed to the proprietor. However, some of these are addressed to third party UK customers directly and make no reference to the proprietor. All reference the Contested Mark. The sales to third parties amount to over £900,000.
- c) There are 'Bill of Lading' documents issued by Shanghai.⁶ 9 are addressed to third party businesses located in Scotland, Coventry and Yorkshire and 6 are addressed to the proprietor. These are dated between 2013 and 2017. In respect of those addressed to third parties, the proprietor is listed as a notified party. All relate to PURANOL polyether polyol. In this regard, I note Mr Jia's unchallenged evidence that these documents were sent to the customers directly.
- d) There are 'Shipping Consignment Notes' issued by Shanghai.⁷ Mr Jia's unchallenged evidence is, again, that these were sent directly to the customers. They are dated between 2013 and 2015, with 17 addressed to third parties and 2 addressed to the proprietor. For those third party businesses, the proprietor is listed as a notified party.
- e) There are 'Order Acknowledgements' dated between December 2016 and August 2019.⁸ All of them display the name Jiahua Chem and/or Jiahua Europe Limited. 14 are addressed to third parties and 11 are addressed to the

⁴Exhibit RB11

⁵ Exhibit B

⁶ Exhibit C

⁷ Exhibit D

⁸ Exhibit F

proprietor. All relate to PURANOL. Those addressed to third parties make no reference to the proprietor.

- f) There are 'Purchase Orders' issued by a third party company (Leeson Polyurethanes) directly to Jiahua Europe Limited for PURANOL polyether polyol.⁹
- g) A letter marked "to whom it may concern" from Leeson Polyurethanes states: "Over the last decade [Roy Brooks] has been selling us MDI based Isocyanates and Polyols. The names Puranate (for Isocyanates) and Puranol (for Polyols) have been associated with him and PUR Products Ltd and PUR Chemie Ltd during that time".¹⁰

I note that, as this has not been given in a signed witness statement accompanied by a statement of truth, it has the status of hearsay evidence and the weight that can be attributed to it must be adjusted accordingly. However, in any event, the fact that the name has been associated with Mr Brooks (and his companies) does not mean that it is not also associated with other companies. I note that Leeson Polyurethanes has also purchased products under the Contested Mark directly from the Jiahua Europe Limited.

38. It is clear from this that there are some documents issued to buyers directly from the proprietor under the Contested Mark. However, there also appear to be examples of the same customers (such as Leeson Polyurethanes) placing orders with Jiahua Europe Limited directly. The evidence before me is clearly incomplete; very little information has been provided by the parties about how the relationship between them functions in practice. Where customers were issued documents directly by Shanghai (such as Bill of Lading and Order Consignment documents), they would inevitably be aware that the goods were originating from Shanghai because it is that company that acknowledges the order and ships the goods. I recognise that the evidence is not clear as to whether this is always the case; it appears that in some circumstances, perhaps,

⁹ Exhibit H

¹⁰ Exhibit RB12

the proprietor is the only party with whom the customer deals (such as where the proprietor is responsible for issuing invoices to the customers directly). However, the evidence clearly shows that more than one business was selling goods under the Contested Mark into the UK market (such as Jiahua Europe Limited). In those circumstances, the relevant public are likely to perceive the manufacturer (and not the distributor) as being responsible for the quality of the goods.

Who is most responsible in fact for the character or quality of the goods?

39. Both parties accept that the goods sold by the proprietor originate from the applicant. However, all the evidence shows is that the goods sold by the proprietor originated from a company associated with the applicant. In his witness statement, Mr Brooks states:

“9. [...] At the point of sale, the seller needs to convince the buyer that they have the necessary technical knowledge, the correct production process for polyols and can provide reliable and sustainable supplies at a competitive price. In order to sell the product, I would approach potential customers and provide these details, including the name of the manufacturer, which would often vary from one product to another. [...]”

40. It seems to me, therefore, that customers who purchased the goods via the proprietor or its successors (whilst the agreements discussed above were in place) would have been made aware that the goods were originating a manufacturer (as opposed to the proprietor). It is not clear whether Mr Brooks would have informed the customer that the applicant was the manufacturer or whether one of the applicant’s associated companies (Shanghai or Jiahua Europe Limited) would have been named.

41. I note that there is some suggestion on Mr Brooks’ part that he was responsible for providing technical specification information to the applicant (and, presumably, therefore has a role to play in the quality of the products being produced). In this regard, he states:

“22. I was consultant to the Applicant between the years of 2013-2019. My role as an independent consultant included sales in Europe, marketing, branding and corporate identity advice, designing marketing literature and headhunting of personnel. I also provided formulation and specification information on the products to the Applicant.” (my emphasis)

However, I note that there is nothing in the consultancy agreements themselves to suggest that the provision of technical advice regarding the manufacture of the products was part of Mr Brooks’ (or the proprietor’s) role. That is, to my mind, surprising if that was in fact a key aspect of the relationship between the proprietor and Shanghai (and their successors).

42. Taking all of this into account, I do not consider that it was the proprietor that was in fact responsible for the quality of the goods; rather, it was the manufacturer.

What circumstances support or contradict the claim of any particular trader to be the owner of the goodwill?

43. As noted above, there was more than one company selling the goods under the Contested Mark in the UK. This factor goes against the proprietor.

44. Further, I note that the terms of the contractual agreement between Shanghai and the proprietor were such that the proprietor was initially paid a commission for each sale made. This seems to me to also be a factor against the proprietor. If the proprietor had been trading in the goods on its own account, it would be highly unusual to be paid only a commission. Similarly, the fact that the proprietor was paid a monthly fee for its services under the later contract would also be unusual if the proprietor had been trading in the goods on its own account. This payment structure suggests that the proprietor was simply acting as an intermediary, with the purpose of marketing, promoting and distributing goods on behalf of Shanghai. This impression is reinforced by the terms of clause 5 of the 2013 contract and clause 4 of the 2015 contract, under which Shanghai (and its successors) controlled the price of the goods. This understanding of the position is also consistent with the definitions of ‘products’ and

'services' in the contracts, under which the proprietor was contracted to provide services in the nature of marketing, promotion and distribution of Shanghai's products.

45. I note that clause 5 of the 2013 contract and clause 4 of the 2015 contract state that the proprietor "shall not, for any purposes be or act as an agent or employee of [Shanghai] or any of its affiliates, subsidiaries, successors or assigns." However, when read in the context of the agreement as a whole, the purpose of this statement was to make it clear that the proprietor was an independent contractor engaged to provide services to Shanghai, rather than an entity for which Shanghai was directly responsible. This does not undermine my conclusion that the proprietor was engaged to provide marketing, promotion and distribution services for Shanghai's products.

46. I have also considered whether my conclusions are undermined by clause 3 of the 2013 contract, which states that:

"In the performance of the services, [the proprietor] shall have the sole and exclusive right to sell the Products to prospective clients in the following territories. Europe (Exhibit C). [Shanghai] agrees that all sales of Products in the exclusive territory during the term whether by [the proprietor], [Shanghai] or others, shall be deemed to constitute sales by [the proprietor] hereunder entitling [the proprietor] to commission pursuant to Section 4 hereof."

47. I do not consider that it does. This is because although the agreement purports to grant the proprietor sole rights to sell Shanghai's products in Europe, it also accepts that the products could be sold by others. Such sales were deemed to be sales by the proprietor for the purpose of calculating the commission due to the proprietor under clause 4 of the contract. It therefore seems likely that the agreement envisaged that the proprietor would be the main selling channel for the products in Europe. However, the arrangement does not change the fundamental purpose of the contract, which was for the proprietor to market, promote and distribute Shanghai's products in Europe, nor did it prevent Shanghai selling the products itself in Europe, or authorising others to do so.

48. Taking all of this into account, I consider that any goodwill generated by sales made by the proprietor under the contractual agreements would have accrued to Shanghai and its successors.

The Relevant Date

49. Whether there has been passing off must be judged at a particular point (or points) in time. In *Advanced Perimeter Systems Limited v Multisys Computers Limited*, BL O-410-11, Mr Daniel Alexander QC, sitting as the Appointed Person, considered the relevant date for the purposes of s.5(4)(a) of the Act and stated as follows:

“43. In *SWORDERS TM O-212-06* Mr Alan James acting for the Registrar well summarised the position in s.5(4)(a) proceedings as follows:

‘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.’”

50. The prima facie relevant date is the date of application for the Contested Mark i.e. 20 August 2019. Any sales made by the proprietor (or its associated companies) after the agreement between the parties was entered into in 2013 cannot constitute evidence supporting an earlier relevant date. This is because it would not be an ‘act complained of’, as the proprietor was acting with consent under the contractual agreements. I have already found that any goodwill resulting from that use would accrue to Shanghai and its successors.

51. However, I also note that Mr Brooks states that the proprietor has used the mark in the UK since 1992. In his evidence, Mr Brooks states that he set up the proprietor company in 1982, but only started trading in 1992. He states that, at that time, polyols

were sold under the Contested Mark. Mr Brooks has provided a number of invoices dated between 1999 and 2000 which show sales of “Puranol”.¹¹ In total the invoices amount to over £50,000. The only invoice addressed to a UK-based recipient is dated 28 June 1999 and is for the sum of £16,126.87. I note that one of the invoices (addressed to a business in Poland) describes the products sold as “4 drums of Puranol POP Polyether Polymer Polyols (Low Odor)”. An email from one of Mr Brooks’ customers confirms “that the name Puranol have been used by you (PUR Ltd) in 90’ties”.¹²

52. I am mindful of the judgment of Mr Thomas Mitcheson QC, sitting as the Appointed Person, in *CASABLANCA*, Case BL O/349/16, in which he stated:

“37. Accordingly the relevance of the activities of the applicant is limited to establishment of the date that the actionable use began. Once that date is established, the only question of goodwill arises in respect of the opponent’s activities. As the Applicant in the present case pointed out, self-evidently it would only be in very exceptional circumstances that a party would have established goodwill at the point in time at which it commenced the use complained of. The establishment of goodwill would take much longer. But the authorities recognise that it is the date that the activity commenced which is the crucial one, and so in my judgment it cannot be necessary for goodwill to have been accrued at that time.

38. That does not mean that it is irrelevant what happens after the first alleged date of commencement. Clearly if the activity ceased or changed materially between the date of commencement and the date of application for the trade mark then this must be taken into account, as it may mean that the true date of commencement of the activity complained of is later or that the activity complained of cannot properly be said to have properly commenced at all (if it was later abandoned). This is all a matter of fact and degree and is no doubt why Kitchen LJ expressed it as “a matter which must be taken into account”

¹¹ Exhibit RB6

¹² Exhibit RB8

rather than as being determinative of the issue. However it does not mean that what is required is anything more than the commencement of the activity which is carried on in such a way as to fix the date of assessment. There is no greater requirement to prove goodwill on that date. For this reason I do not consider that the Hearing Officer erred in law in her assessment.”

53. Mr Brooks’ unchallenged evidence is that the proprietor sold the goods under the Contested Mark between 1992 and 2005 in the UK. Most of the invoices provided relate to customers based outside of the UK. As noted above, there is also an invoice provided which shows sales to a UK company dated in 1999. However, there is nothing in Mr Brooks’ evidence which suggests any sales under the Contested Mark by the proprietor after 2005 (other than the use discussed above starting in 2013 which could not be an ‘act complained of’ as it was carried out in the proprietor’s role as a distributor for Shanghai).

54. Indeed, Mr Brooks states that from 2005 until 2011, he went to work for a third party to set up their polyols business. As explained by the above case law, there can be an earlier relevant date fixed by the date of commencement of the activity complained of. It is not necessary for the proprietor to establish goodwill; however, its activities from that time onwards are relevant in the sense that non-continuous use may prevent an earlier relevant date from arising. In my view, that is what has happened here. There is unchallenged evidence of use of PURANOL between 1999 and 2005 by the proprietor. However, this use appears to have ceased between 2005 and the prima facie relevant date. The use appears to have been limited in scale, particularly in relation to customers in the UK. Therefore, any goodwill generated by trading in the period 1999 to 2005 under PURANOL is likely to have dissipated by the time the proprietor entered a new trading arrangement with Shanghai in 2013. This is not to say that no one in the UK would remember the earlier use. Rather, it means that the mark would have had to establish its reputation afresh when Shanghai’s products were put on the market under that mark in 2013. I conclude that the use shown by PUR products between 1999 and 2005 is not the start of the behaviour complained about. Consequently, the only relevant date I need consider is the prima facie relevant date.

Goodwill

55. In *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217 (HOL), goodwill was described 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.”

56. The proprietor has filed evidence of invoices issued by PUR Chemie Ltd to companies based in the UK between 2015 and 2017 amounting to over £1.6million. These all relate to PURANOL products. On the basis that PUR Chemie Ltd was acting with the proprietor's consent, this would, in my view, be sufficient to establish goodwill and that, as a result of my findings above, that goodwill would accrue to Shanghai. I note that there is also evidence of use by Jiahua Europe Limited. For example, there are 13 invoices in evidence dated between 1 February 2017 and 12 April 2018 which were issued by Jiahua Europe Limited to a company called Leeson Polyurethanes Ltd, based in Warwick. These invoices all relate to polyurethane polyols sold under the mark PURANOL and amount to sales of over £830,000. Similarly, there are 7 invoices to a company called Treves UK Ltd based in Yorkshire between 22 May 2017 and 31 July 2019 which amount to over £69,000 and 1 invoice to a company called GCP Applied Technologies (UK) Ltd, based in Slough, dated 31 August 2018 for the sum of £15,540. Consequently, both Shanghai and Jiahua Europe Limited had generated a significant goodwill at the relevant date in relation to polyurethane polyols and the sign relied upon was distinctive of that goodwill.

57. I have, of course, noted above that Shanghai and Jiahua Europe Limited are businesses connected with the applicant. However, they remain separate legal entities and I have no evidence to suggest that goodwill generated by them would accrue to the applicant rather than accruing to those businesses. There is no evidence that the applicant itself has traded in the UK either directly or through the proprietor (or the proprietor's associated companies). In order to have the necessary standing to bring

a claim under section 5(4)(a) of the Act, the applicant must show that it is the proprietor of an earlier right pursuant to the Trade Marks (Relative Grounds) Order 2007. In the absence of any evidence to demonstrate that the goodwill has accrued to the applicant, I am unable to conclude that it is the proprietor of an earlier right and, consequently, the application for invalidation based upon section 5(4)(a) of the Act must fail.

Final Remarks

58. In reaching my conclusions, I recognise that there are a number of order acknowledgments provided by the applicant which display the following mark:



59. Given the name of the applicant, I recognise that there is some potential for indicating that it is the applicant itself that has issued these order acknowledgements (as opposed to its associated companies). However, I note that most of these explicitly state that they were issued by Jiahua Europe Limited. Of those that do not confirm by whom they were issued, I note that the applicant is not the only entity referenced in the evidence which uses the words JIAHUA CHEM in its company name. For example, the proprietor's evidence lists four other subsidiaries of the applicant that also contain these words.¹³ Consequently, I am unable to find that these documents were issued by the applicant.

Section 3(6)

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

¹³ Exhibit RB19

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

61. The relevant case-law covering trade mark applications made in bad faith can be found in the following cases: *Chocoladefabriken Lindt & Sprüngli*, CJEU, Case C-529/07, *Malaysia Dairy Industries*, CJEU, Case C-320/12, *Koton*, CJEU, Case C-104/18P, *Sky v Skykick*, CJEU, Case C-371/18, *Hotel Cipriani SRL and others v Cipriani (Grosvenor Street) Limited and others*, [2009] RPC 9 (approved by the Court of Appeal in England and Wales: [2010] RPC 16), *Trump International Limited v DDTM Operations LLC*, [2019] EWHC 769 (Ch), *Copernicus-Trademarks v EUIPO*, General Court of the EU, Case T-82/14, *Daawat Trade Mark, The Appointed Person*, [2003] RPC 11, *Saxon Trade Mark*, [2003] EWHC 295 (Ch), *Mouldpro ApS v EUIPO*, General Court of the EU, Case T-796/17, *Alexander Trade Mark, The Appointed Person*, BL O/036/18, *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch) and *Sky v Skykick* [2020] EWHC, 990 (Ch).

62. The law appears to be as follows:

- (a) While in everyday language the concept of ‘bad faith’ involves a dishonest state of mind or intention, the concept of bad faith in trade mark law must be understood in the context of trade: *Sky CJEU*.
- (b) Applying to register a trade mark without an intention to use it is not bad faith *per se*. Therefore, it is not necessary for the trade mark applicant to be using, or have plans to use, the mark in relation to all the goods/services covered by the specification: *Sky CJEU*.
- (c) The bad faith of the trade mark applicant cannot, therefore, be presumed on the basis of the mere finding that, at the time of filing his or her application, that applicant had no economic activity corresponding to the goods and services referred to in that application: *Sky CJEU*.
- (d) However, where the trade mark application is filed without an intention to use it in relation to the specified goods and services, and there is no rationale for the

application under trade mark law, it may constitute bad faith. Such bad faith may be established where there are objective, relevant and consistent indications showing that the applicant had the intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark: *Sky CJEU*.

- (e) This may be the case where the exclusive right was sought as part of a strategy of using widely cast trade mark registrations as legal weapons for use against others in opposition proceedings and/or for the purposes of blocking applications by third parties: *Sky EWHC* and *Copernicus-Trademarks v EUIPO*.
- (f) A trade mark may be applied for in good faith in relation to some of the goods/services covered by the application, and in bad faith as regards others: *Sky CJEU*.
- (g) This may be the case where the trade mark applicant has included a specific term in the specification, such as 'computer games', with no intention of using the mark in relation to any such goods, simply to obstruct third parties from using or registering the same mark, or similar marks. It may also be the case where the applicant has included a broad term, such as 'computer software', with the intention of using the mark in relation to a particular sub-category of such goods/services, but no intention of using the mark in relation to all the other (sometimes very different) sub-categories of goods/services covered by the broad term, with the objective of obstructing third parties from using or registering the mark in relation to such goods/services: *Sky EWHC*.
- (h) In deciding whether there was a rationale for registering the trade mark in relation to any particular term, it is necessary to bear in mind that trade mark proprietors have a legitimate interest in seeking protection in respect of goods or services in relation to which they may wish to use the trade mark in future (even if were no plans to use the mark in relation to the goods/services at issue at the time of filing the application): *Sky EWHC*. It is therefore relevant to

consider whether the goods/services in the contested application are related to those for which the mark has been used, or for which the applicant had plans to use the mark.

63. The following points are apparent from the pre-Sky case-law about registering trade marks in bad faith:

- (a) Although it may be a relevant factor, the mere fact that the trade mark applicant knew that another party was using the trade mark in another territory does not establish bad faith: *Malaysia Dairy Industries*.
- (b) Similarly, the mere fact that the trade mark applicant knew that another party used the trade mark in the UK does not establish bad faith: *Lindt, Koton* (paragraph 55). The trade mark applicant may have reasonably believed that it was entitled to apply to register the mark, e.g. where there had been honest concurrent use of the marks: *Hotel Cipriani*.
- (c) However, an application to register a mark is likely to have been filed in bad faith where the trade mark applicant knew that a third party used the mark in the UK, or had reason to believe that it may wish to do so in future, and intended to use the trade mark registration to extract payment/consideration from the third party, e.g. to lever a UK licence from an overseas trader: *Daawat*, or to gain an unfair advantage by exploiting the reputation of a well-known name: *Trump International Limited*.
- (d) An application may also have been filed in bad faith where the trade mark applicant acted in breach of a general duty of trust as regards the interests of another party, including his or her own (ex) company or (ex) partners, or a party with whom there is, or had recently been, a contractual or pre-contractual relationship, such as a licensor, prospective licensor or overseas principal: *Saxon, Mouldpro*; or where a legal agreement prohibits such a filing.

64. The correct approach to the assessment of bad faith claims is as follows. According to *Alexander Trade Mark*, the key questions for determination in such a case are:

(a) What, in concrete terms, was the objective that the trade mark applicant has been accused of pursuing?

(b) Was that an objective for the purposes of which the contested application could not be properly filed? and

(c) Was it established that the contested application was filed in pursuit of that objective?

65. The trade mark applicant's intention (i.e. objective) is a subjective factor which must be determined objectively by the competent authority. An overall assessment is required, which must take account of all the factual circumstances relevant to the particular case: *Lindt*.

66. The matter must be judged at the relevant date, which is the date of the application for registration: *Lindt*. In this case, the relevant date is 20 August 2019.

67. It is necessary to ascertain what the trade mark applicant knew at the relevant date: *Red Bull*. Evidence about subsequent events may be relevant, if it casts light backwards on the position at the relevant date: *Hotel Cipriani*.

68. A statement on the application form that the mark is in use, or there is a *bona fide* intention to use it may, if untrue, provide evidence supporting a bad faith case, but is not sufficient by itself to justify the refusal or cancellation of the registration: *Sky CJEU*.

69. An allegation of bad faith is a serious allegation which must be distinctly proved, but in deciding whether it has been proved, the usual civil evidence standard applies (i.e. balance of probability). This means that it is not enough to establish facts which are as consistent with good faith as bad faith: *Red Bull*.

What, in concrete terms, was the objective that the trade mark applicant has been accused of pursuing?

70. In its Form TM26(I), the applicant for invalidation states as follows:

“The [proprietor] has been a customer of products from the Applicant for many years. Some of these products were sold to them under the mark “Puranol”. The registration of the mark will result in confusion and deception in the minds of the relevant customers; and/or enable it to stop the Applicant from using the mark for the relevant goods; and/or trigger a connection in the minds of the relevant customers between the Applicant’s goods and those of the [proprietor] to the detriment of the Applicant; and/or utilise the Applicant’s reputation for the benefit of the [proprietor], by taking unfair advantage of the prestige attached to the mark “Puranol”.

71. It appears, therefore, that the main thrust of the applicant’s claim for bad faith is that the Contested Mark was filed in bad faith because the proprietor was 1) trying to stop the applicant from using its mark for the relevant goods and/or 2) trying to gain some sort of economic benefit from using a mark that it knew to be associated with the reputation of the applicant.

Was that an objective for the purposes of which the contested application could not be properly filed?

72. I accept, in principle, that both of these objectives could be objectives for the purposes of which the Contested Mark could not properly be filed. However, the second of these appears to be a recasting of the applicant’s passing-off case. To assess the section 5(4)(a) claim through the prism of bad faith would be to allow the applicant to circumvent its lack of standing for the claim based on passing-off by recasting its claim under a different ground. I will, therefore, only consider the ‘blocking’ argument under this ground.

Was it established that the contested application was filed in pursuit of that objective?

73. I note that the applicant has filed evidence that its associated companies were selling goods into the UK market under the Contested Mark either directly or via the

proprietor (and the proprietor's associated companies). The evidence runs from at least 2013 through to 2019. In particular, I note:

- a) An invoice dated 12 August 2019 issued by Jiahua Europe Limited to the proprietor for PURANOL polyol products (issued just 8 days prior to the relevant date);
- b) An order acknowledgement dated 15 August 2019 with the words "Jiahua Chem" displayed at the top issued to the proprietor for PURANOL polyol products (5 days prior to the relevant date);
- c) An invoice dated 31 July 2019 issued by Jiahua Europe Limited to Reves UK Ltd (based in North Yorkshire) for PURANOL polyol products;
- d) An invoice dated 31 August 2018 issued by Jiahua Europe Limited to GCP Applied Technologies (UK) Ltd (based in Berkshire) for PURANOL polyol products.

74. The applicant's evidence establishes that the proprietor had knowledge of that use as it was one of the customers of Jiahua Europe Limited after the contracts between the proprietor and Shanghai (and their successors) had come to an end. I note that the novation agreements extended the contracts between the proprietor and Shanghai (and their successors) up to the end of February 2019. However, the proprietor's own evidence is that it was not using the Contested Mark at the time of filing; Mr Brooks states that PUR Chemie Ltd had stopped using the mark commercially in 2017 (two years prior to the relevant date) and that the proprietor itself was purchasing the goods for "internal use". There is no suggestion of plans to recommence trade. Taking all of this into account, I consider that the applicant has established a prima facie case that the proprietor's motive for filing the Contested Mark was to block the continued use of the sign PURANOL by the applicant's associated companies in the UK market.

75. The proprietor has filed evidence to rebut that prima facie case. In its written submissions, the proprietor states as follows:

“10. [...]

- The Proprietor was using the Trade Mark for many years before any relationship was formed between the Applicant and the Proprietor.
- A consultancy contract was executed between the Applicant and Roy Brooks in 2013 (see Exhibit M in the Applicant's evidence) which initiated Roy Brooks' independent consultancy role where, among other things, Roy Brooks was sole seller of the product under the Trade Mark in the UK and Europe.
- Between the years of 2014 and 2016, the Proprietor purchased the polyols from the Applicant, the manufacturer, in order to sell on to consumers under the Trade Mark in the UK and Europe. These sales were firstly made by the Proprietor in 2014 and were continued by its associated company, PUR Chemie Limited in 2015. Consequently any goodwill accrued through these sales during this period will belong to the Proprietor and not to the Applicant.
- These sales made by the Proprietor of the product under the Trade Mark were to consumers already known to the Proprietor.
- There was an intention for a joint venture between the Applicant and PUR Chemie Limited where PUR Chemie Limited would continue to be the sole seller of the product under the Trade Mark in the UK and Europe and maintain independence.
- Instead, in 2016 Jiahua Europe Limited was set up and its direct sales to the consumers which had been introduced to it through the Proprietor resulted in lost sales for PUR Chemie Limited which came to light in 2017. These sales occurred without any advance communication of such to the Proprietor.
- From 2017 the Proprietor bought polyols from the Applicant for internal use in blending the product with other substances and by 2019 believed the

Applicant's sales of the product under the Trade Mark to other consumers had ceased, primarily caused by the lack of involvement of Roy Brooks."

76. I recognise that the proprietor claims to have believed that it had an exclusive right to use the Contested Mark in the UK. Indeed, as noted above, the contract between the proprietor and the applicant's associated companies does appear to suggest that the proprietor was envisaged to be the primary seller of the Shanghai's goods under the Contested Mark in Europe. However, the purported exclusivity clause (which, as discussed above, does not actually appear to provide exclusivity in any event) was removed from the 2015 contract. Further, whilst the contractual relationship between the proprietor and Shanghai (and their successors) continued until February 2019, there is no evidence of the proprietor's continued use of the Contested Mark after 2017. That means that there is a gap of at least 2 years (at worst 4 years) after the proprietor's alleged exclusive rights to the UK market expired and its application to register the Contested Mark. I do not, therefore, consider this to be a credible explanation for the application to register the Contested Mark. Further, I note that the proprietor claims to have believed that the applicant had ceased using the Contested Mark in the UK by 2017. However, there is evidence of order acknowledgements and invoices issued by the applicant's associated companies to the proprietor in August 2019. Consequently, the proprietor must have known that the applicant's associated companies was still using the Contested Mark in 2019 as it was itself a customer.

77. Bearing in mind these inconsistencies in the proprietor's defence, combined with the effect of registering a national trade mark (which inevitably blocks use of that mark by other traders), I do not consider that the proprietor has rebutted the prima facie case established by the applicant. I consider that the proprietor's intention in registering the trade mark was to block the use of the mark by the applicant's associated companies in the UK and that this behaviour fell below the standards of acceptable commercial behaviour and amounted to bad faith.

78. I recognise that, as discussed above, the applicant has failed to show that it has itself used the sign PURANOL in the UK or that any rights in that sign accrued to it. As explained above, that is fatal to the applicant's claim under section 5(4)(a). However, there is no requirement under section 3(6) that the bad faith be directed at the

applicant; a finding of bad faith is sufficient to invalidate the mark, even if the bad faith is directed at a third party. Consequently, the application for invalidation based upon section 3(6) of the Act succeeds.

CONCLUSION

79. The application for invalidation is successful and the Contested Mark is hereby declared invalid in respect of all goods for which it is registered. Under section 47(6) of the Act, the registration is deemed never to have been made.

COSTS

80. The applicant has been successful and is entitled to a contribution towards its costs based upon the scale set out in Tribunal Practice Notice 2/2016. In the circumstances, I award the applicant the sum of **£1,600**, calculated as follows:

Preparing a statement and considering the proprietor's statement	£400
Preparing evidence and considering the proprietor's evidence	£1,000
Official fee	£200

81. I therefore order PUR Products Ltd to pay Jiahua Chemicals, Inc. the sum of £1,600. This sum should be paid within 21 days of the expiry of the appeal period or, if there is an appeal, within 21 days of the conclusion of the appeal proceedings.

Dated this 10th day of August 2021

S WILSON

For the Registrar