

O-300-04

TRADE MARKS ACT 1994

**IN THE MATTER OF AN INTERLOCUTORY HEARING HELD IN RELATION TO
REVOCATION No: 80161 BY FENCHURCH ENVIRONMENTAL GROUP
LIMITED TO REGISTRATION No. 2027376 IN THE NAME OF AD TECH
HOLDINGS LIMITED**

TRADE MARKS ACT 1994

**IN THE MATTER OF an Interlocutory Hearing
held in relation to Revocation No: 80161 by
Fenchurch Environmental Group Limited to Registration
No. 2027376 in the name of Ad Tech Holdings Limited**

BACKGROUND

1. Trade Mark No. 2027376 is registered in Classes 1, 5 and 10 for specifications of goods which read as follows:

Class 1: Chemical preparations and substances for use in industry and science.

Class 5: Pharmaceutical and sanitary preparations and substances; antimicrobial and antiseptic preparations and substances; disinfectants; fungicides.

Class 10: Surgical, medical and dental apparatus and instruments; prosthetic devices.

The trade mark which is registered in the following form:

The logo for BACTI GUARD features the word "BACTI" in a bold, sans-serif font, followed by a shield-shaped emblem containing the lowercase letters "ag", and then the word "GUARD" in the same bold, sans-serif font.

was applied for on 18 July 1995 and the registration procedure was completed on 29 November 1996. The registration stands in the name of Ad Tech Holdings Limited of St Helier, Jersey (hereafter Ad Tech).

2. By application dated 30 November 2001, Marks & Clerk acting as agents for Fenchurch Environmental Group Limited (hereafter Fenchurch) applied for this registration to be revoked. They did so on the following basis:

“2. Fenchurch Environmental Group Limited (hereinafter referred to as the Applicant) is the proprietor of UK Trade Mark Application No. 2229037 BACTI G, the subject of Opposition No. 51424 by the Proprietor, said opposition being based upon a conflict with UK Trade Mark Registration No. 2027376.

3. The Applicant is unaware of any use of the trade mark, the subject of UK Registration No. 2027376, in the United Kingdom in relation to the goods for which it is registered. Upon being requested to provide the Applicant with evidence of such use, the Proprietor has failed to do so. The Applicant therefore believes that UK Registration No. 2027376 is vulnerable to revocation for non-use.

4. UK Trade Mark Registration No. 2027376 should therefore be revoked under Section 46(1)(a) of the Trade Marks Act 1994 on the basis that within the period of five years following the date of completion of the registration procedure the trade mark has not been put to genuine use within the UK, by the Proprietor or with its consent, in relation to the goods for which it is registered, and there are no proper reasons for non-use.”

3. On 11 March 2002, Boulton Wade Tennant acting as agents for the Registered Proprietor filed a Counterstatement, the relevant parts of which are reproduced below:

“3. Paragraph 3 of the Applicants’ statement of case is not admitted but the Applicant is put to strict proof its relevance in its proceedings.

4. Paragraph 4 of the Applicants’ statement of case is denied. The Proprietor has put its BACTIGUARD and device trade mark to use in the United Kingdom and/or the trade mark has been used in the United Kingdom with the consent of the proprietor. In confirmation of this we attach the witness statement of Paul Howard Glazier as initial evidence, along with exhibits 1 and 2. Further evidence of use in the UK will be provided during the course of these proceedings if necessary.

5. In addition, these parties entered into an agreement, in settlement of a dispute concerning the BACTIGUARD and device trade mark, a copy of which is attached as Exhibit 2. In filing this application for revocation we believe that the Applicant is in breach of clause 5 of that agreement.”

4. The evidence filed with the Counterstatement consists of a Witness Statement from Paul Howard Glazier (who is a Director of the Registered Proprietor) dated 11 March 2002 accompanied by two exhibits. Exhibit 2 to the Counterstatement consists of a copy of the Agreement between the parties dated June 1998. Given the significance of the Agreement to these proceedings, I propose to reproduce it here in full; I shall of course need to return to it later in my Decision. The Agreement reads as follows:

“AGREEMENT

1. Ad Tech will withdraw its opposition number 46623 to Fenchurch application for BACTIGUARD, number 2101455, pending in the United Kingdom and will not oppose or cancel other applications or registrations for the mark BACTIGUARD, so long as the exclusion set forth below in paragraph 4 is included in any such application or registration, the application or registration is otherwise consistent with the terms of this agreement, and the application or registration does not include a device confusingly similar to the device that is part of Ad Tech’s registration number 2027376.

2. Fenchurch agrees not to use or register the mark BACTIGUARD in relation to antimicrobial additives of any type in class 5, or any other medical products, devices, equipment or applications registrable in classes 1, 5 or 10, or as these classes may change in the future to cover medical products, devices, equipment or applications, including, but not limited to, filters of any type specifically designed for use or sale

for any medical product, device, equipment or application.

3. Fenchurch agrees that it can use and register its BACTIGUARD mark only in relation to goods in classes 7, 11 and 21, or as these classes may change in the future, and as long as these goods are not expressly designed for or sold only for medical, hospital or health authority use.

4. Fenchurch specifically agrees to exclude medical products, devices, equipment and applications from the goods of any pending trademark application to the extent not already excluded.

5. Fenchurch agrees not to object to Ad Tech's use and registration of the marks BACTI GUARD and BACTI GUARD and device for any medical product, device, equipment or application, including but not limited to those in classes 1, 5 and 10, or as these classes may change in the future.

6. Ad Tech agrees that it will not use or register the mark BACTI GUARD and BACTI GUARD and device in relation to antimicrobial air filters made from various filter fibres including synthetic fibres, microfine glass or glass paper for use in vacuum cleaners, cooker hoods, re-circulating air cleaners, humidifiers, deep fat fryers and other domestic appliances in class 7; antimicrobial air filters made from various filter fibres including synthetic fibres, microfine glass or glass paper for use in air conditioning systems, ventilation systems and air cleaning machines for non medical products, devices, equipment and applications in class 11 or antimicrobial air filters made from various filter fibres, including synthetic fibres, microfine glass or glass paper for use in various household appliances in Class 21.

7. Ad Tech agrees not to object to Fenchurch's use and registration of the mark BACTIGUARD in relation to antimicrobial air filters made from various filter fibres including synthetic fibres, microfine glass or glass paper for use in vacuum cleaners, cooker hoods, re-circulating air cleaners, humidifiers, deep fat fryers and other domestic appliances in class 7; antimicrobial air filters made from various filter fibres including synthetic fibres, microfine glass or glass paper for use in air conditioning systems, ventilation systems and air cleaning machines for non medical products, devices, equipment and applications in class 11 or antimicrobial air filters made from various filter fibres, including synthetic fibres, microfine glass or glass paper for use in various household appliances in Class 21.

8. The benefits and obligations hereunder shall be mutually binding upon and inure to the benefit of the respective successors, assigns and licensees of the parties hereto. The terms of this agreement shall be made known to these successors, assigns and licensees."

I note that the agreement was signed for and on behalf of Fenchurch on 16 June 1998 (signature illegible) and by Joy Elle Ann Carry on behalf of Ad Tech on 3 June 1998.

5. On 26 March 2002, the Trade Marks Registry served the Form TM8 and Counterstatement together with the witness statement and exhibits of Mr Glazier and exhibit 2 to the Counterstatement (which consisted of a copy of the Agreement mentioned above); the Applicant for Revocation was, under the provisions of rule 31(4) of the Trade Marks Rules

2000, allowed until 26 June 2002 to file evidence in support of the application. Under cover of a letter dated 21 June 2002, the Applicant for Revocation filed the Witness Statement of Marjorie Diana Nicholson dated 20 June 2002 together with exhibit MDN1 thereto.

6. In an Official letter dated 3 July 2002, the Registered Proprietor was, under the provisions of rule 31(6), allowed until 21 September 2002 to file any further evidence they considered appropriate.

7. In a letter to the Trade Marks Registry dated 20 September 2002, Boulton Wade Tennant commented as follows:

“The registered proprietor decided that no further evidence will be filed in relation to this case.

As the Registrar may be aware, these parties entered into an agreement in June 1998 and a copy of that agreement is attached for your information. This agreement was entered into evidence in relation to Opposition No. 51424 to UK Trade Mark Application No. 2229037 by virtue of the witness statement of Marjorie Diana Nicholson dated 4 July 2001.

Clause 5 of that agreement states:

“Fenchurch agrees not to object to AD Tech’s use and registration of the marks BACTI GUARD and BACTI GUARD and Device for any medical products, device, equipment or application including but not limited to those in Classes 1, 5 and 10, or as these classes may change in the future”.

We believe that the present action must be regarded as being an objection to the registration of the BACTI GUARD and Device, and as such the very bringing of this action appears to be in breach of the contractual agreement between the parties. In view of recent decisions concerning these types of clauses, we believe that it is perfectly enforceable, and as this entire non-use revocation action has been brought in breach of contract, we request that the action be struck out.”

8. The Trade Marks Registry allowed the agents acting for the Applicant a period in which to comment on the above; their comments were contained in their letter of 29 November 2002. As this letter runs to some three pages, I do not propose to summarise it here. For the most part the same issues were discussed at the Interlocutory Hearing which I shall come to later in this Decision. That said, the letter concluded with the following paragraph:

“Accordingly, the Applicant for Revocation maintains that the subject revocation proceedings were not commenced in breach of contract and should not be struck out.”

9. In an Official letter to the parties dated 13 January 2003, the Trade Marks Registry commented as follows:

“I can confirm that the Hearing Officer has now considered the request from the agent for the Registered Proprietor for the striking out of the Revocation. Taking into consideration the comments made by both parties and the circumstances of the case, the Hearing Officer is of the preliminary view that, as the Revocation proceedings

appear to be based upon the non-use of an existing registration, the agreement between the parties would not appear to impact upon these Revocation proceedings, and that therefore the Revocation proceedings should continue and should not be struck out.”

The letter allowed until 27 January 2003 for the parties to submit written comments and to request a hearing. Following comments received in letters dated 16 and 22 January 2003 from the agents acting for the Registered Proprietor, the Trade Marks Registry’s view of the matter remained the same and an Interlocutory Hearing was arranged.

THE INTERLOCUTORY HEARING

10. On 27 March 2003, an Interlocutory Hearing took place before me to consider the Registered Proprietor’s request mentioned above. At the Hearing Ms Fiona Clark of Counsel instructed by Marks & Clerk represented the Applicant for Revocation; the Registered Proprietor was represented by Mr Julius Stobbs of Boulton Wade Tennant.

THE SKELETON ARGUMENTS

11. Ordinarily at this stage in my written Decision I would summarise the contents of the respective parties skeleton arguments. However, in this case I propose to reproduce them both here in full. I do so, not only for the sake of completeness, but hopefully to do justice to the nature and scope of the submissions made to me at the Interlocutory Hearing.

The Applicant’s submissions

“1. The Applicant contends that this preliminary issue should be decided in its favour. Firstly, it is not accepted that, on its true construction, the agreement upon which the Respondent relies contains any provision preventing the Applicant from applying to revoke the registration in issue. Alternatively, even if it does (contrary to the Applicant’s primary case), the mere existence of such a term does not prevent either the Applicant from pursuing this litigation or the Registry from entertaining it.

Construction of the Agreement

2. The respondent relies upon the provisions of clause 5 of an Agreement entered into in June 1998. However, no provision of any agreement is construed in a vacuum. It must be construed in the context of the agreement of which it is part and in the light of the relevant factual matrix at the time that the agreement was entered into.

3. It is apparent on the face of this agreement that it was entered into following the launching of opposition proceedings by the Respondent against a pending application by the Applicant to register the mark BACTIGUARD in Classes 7, 11 and 21 of the register and that the Respondent was relying upon the registration in issue here, which is registered in Classes 1, 5 and 10 (see clause 1). The agreement the parties reached was in effect a delineation agreement which was, no doubt, designed at avoiding (or limiting to acceptable levels) any confusion in the marketplace.

4. It is noticeable that the relevant wording of Clause 5, “Fenchurch agrees not to object to AdTech’s use and registration...” is mirrored by a similar restriction on

AdTech in clause 7. There are also mirroring provisions imposing obligations not to “use or register the mark BACTIGUARD” in clauses 2 and 6. In addition however, there is clause 1. This is the only provision which imposes any restriction on the right of a party in terms that it will not “**oppose or cancel**” applications or registrations.

5. The Applicant will say that, on its true construction, the reference in clause 5 to “use and registration” means, in effect, use and entry on the register. In other words, it is directed to the parties attacking each other’s marks under Section 47 of the Trade Marks Act 1994 on the ground that they were invalidly entered on the register. The Applicant will say that this is consistent with the way in which those words are used elsewhere in the agreement. Further, there is nothing in this agreement to suggest that either party was attempting to legislate for a situation in which there was some supervening right to apply to revoke under section 46 or had even turned their minds to such a situation.

6. In the alternative to the above construction, the Applicant will contend that clause 1, not clause 5, was intended to apply to registrations and applications which were pending or in existence as at the date of the agreement. The other provisions were to regulate the position in relation to future use and future applications and/or registrations. The registration in issue here is one which existed as at the date of the agreement – hence clause 5 does not apply to the registration and there is nothing in clause 1 which prevents the Applicant from subsequently challenging its validity.

7. Further, any construction of this agreement which would prevent the Applicant from mounting revocation proceedings for non-use would be in restraint of trade, anti-competitive and/or contrary to public policy. Accordingly it would be void and unenforceable. A construction which would have this effect is accordingly something which the hearing officer should lean against.

Invalidity of Clause 5

8. The Respondent will no doubt contend that the onus is on the Applicant to establish that the provision in issue would be void if given the construction for which it contends. The Applicants do not accept that this is necessarily so in relation to a provision such as the present which is said to prevent a party attacking a mark on the grounds of non-use, which grounds arose subsequent to the date of the settlement agreement. Restraint of trade and competition cases turn upon their own particular facts and circumstances and such a provision does not appear to have been directly in issue in the WWF case, [2002] FSR 530. All covenants in restraint of trade are prima facie unenforceable at common law and enforceable only if it can be shown by the party relying upon the restraint that it is reasonable with reference to the legitimate interests of the parties concerned and of the public: see Chitty on Contracts (28th Edition), Vol 1, 17-075, 17-093. A similar approach applies in relation to Articles 81 and 82 of the Treaty of Rome and under the Competition Act 1998.

9. Be that as it may, it is clear that the correct basis upon which to test whether the clause would be invalid is on the assumption that the registration is wholly invalid on grounds of non-use and that, but for the provision, the registrar would remove the mark from the register (there being no residual discretion in such a case). If the Respondent is right on the issue of construction (which is denied), the restraint here

(a) places a real fetter upon the Applicant's business (and this registration is being used as the basis for opposition to an application for registration by the Applicant for BACTIG) and (b) goes beyond any reasonably arguable scope of protection for the alleged right in issue, such right being invalid.

10. In addition, there is a considerable public interest in registrations which are invalid for non-use being removed from the Register: see the observations made in the Toltecs case, [1983] FSR 327. Such registrations stand as a bar to the registration by third parties of the use of the same or similar marks for the same or similar goods and are a deterrent to use of such marks by such persons.

Position of the Registry

11. There is in any event nothing preventing the registry from proceeding to hear this application. If the Respondent is right, it has a cause of action against the Applicant for breach of contract and nothing more. Nothing more is asserted in any event."

The Registered Proprietor's submissions

"There is a history of proceedings between these two parties. The initial conflict between these parties was seemingly settled by an agreement, executed on 16 June 1998, with no fixed term, which has already been exhibited in these proceedings. It seems that there is no argument over the wording of the agreement as executed.

Fenchurch Environmental Group Limited (Fenchurch) have applied to revoke Trade Mark Registration No: 2027376 BACTIGUARD & device, and this is an application to the Registrar, for her to exercise her discretion, and strike out the application for revocation on the basis that it was brought in breach of the agreement between the two parties.

Discretion of Registrar in respect of Section 46:

The Registrar has discretion in respect of applications filed under Section 46 of the Trade Marks Act 1994. Precise wording of section is:

"46 – (1) the registration of a trade mark may be revoked on any of the following grounds...."

This is reinforced by the decision in Glen Catrine Bonded Warehouse Limited's application for revocation [1996] 1ETMR.

As the Registrar does have discretion to strike out applications under this section, the question for this hearing becomes whether the Registrar should exercise that discretion.

It is submitted that the application was filed in bad faith in view of the terms of the agreement between both parties, and insofar as the application has been brought in breach of contract between the parties, it is submitted that the application or revocation itself is "obviously unsustainable" within the meaning set out in the above mentioned case. By bringing the action for revocation Fenchurch are in breach of

contract, and as such their application is “obviously unsustainable”. Both of these points will depend upon whether the actions of the applicant for revocation fall within the terms of the agreement between the parties.

Scope of Agreement

The relevant clause in the agreement between the parties for these purposes in clause 5

“Fenchurch agrees not to object to Ad-Tech’s use and registration of the marks BACTI GUARD and BACTI GUARD & device for any medical product, device, equipment or application, including but not limited to those in classes 1, 5 and 10, or as these classes may change in the future”.

It is submitted that the plain English meaning of this clause is very clear. Registration No. 2027376 is a registration of the mark BACTIGUARD & device in respect of medical products, devices, equipment and applications in classes 1, 5 and 10. Fenchurch is the applicant for revocation in this case. By filing an application for revocation Fenchurch have “objected” to Ad-Tech’s registration of its mark. These proceedings must fall within the scope of the meaning of clause 5 of the agreement.

The applicant for revocation has submitted by letter of 29 November 2002 that clause 5 only relates to the future use, and filing of applications for registration of the trade marks BACTIGUARD and BACTIGUARD & device. They submit that the clause does not encompass existing registrations. He backs up by stating that clause 1 specifically mentions existing registrations, and believes that on this basis clauses 5 and 7 were “clearly” intended at clauses 5 and 7 would not relate to proceedings brought against existing registrations.

This interpretation does not hold. The agreement was to settle a dispute between two parties concerning use of the BACTIGUARD trade mark. Ad-Tech had opposed Fenchurch’s Application No. 2101455 on the basis of its earlier registration, and this settlement was agreed in relation to that Opposition. Clause 1 dealt with the existing proceedings and necessarily made provision concerning possible objections by Ad-Tech in the future (in view of the fact that the original objection had been made by them). Specific provision needed to be made in this regard presumably in view of the fact that some existing registrations covered goods in respect of which Fenchurch was agreeing not to use the mark in question, and as such some of these registrations required a restriction in terms of specification. Ad-Tech clearly agreed not to object to those registrations so long as the other terms of the agreement were adhered to. This clause bears no relationship with clauses 5 and 7 which are general provisions concerning use and registration of the trade marks by each party. Clause 5 specifically covers the situation where Fenchurch “objects” to Ad-Tech’s “registration” of the mark BACTIGUARD & device for relevant goods. The plain language of the agreement makes it clear that the current situation falls within the scope of the agreement.

It is an accepted principle of contract law that agreements and contracts between parties need to be interpreted on the face of the wording of the agreement themselves, and on the basis of the intentions of both parties. The text of the agreement has been admitted by both parties, and no evidence has been put in concerning the intentions of

either parties in this case. As such we need to proceed on the basis of the agreement as it stands.

The agreement effectively grants rights in the BACTIGUARD trade mark in relation to goods in classes 1, 5 and 10 to Ad-Tech, and rights in the mark BACTIGUARD in relation to certain other goods to Fenchurch, and makes provision for co-existence on that basis. It is clear that the intention was that neither party would object to the others use or registration of their respective trade marks as long as it fell within these provisions in terms of specification.

Validity of Clause

The applicant for revocation also argues that the clause in question is not enforceable.

We believe that the decision in *Worldwide Fund for Nature (World Wildlife Fund) and Another v The World Wrestling Federation Entertainment Inc* [2001] CIPA 529 settles this matter. The court of appeal stated as follows:

“Where the claimant has been a party to a settlement of a genuine dispute, designed to define the boundaries of the trading as against the defendant, he is entitled to expect that to be enforced. It is not for him to prove that it is reasonable. The presumption is that the restraints, having been agreed between the two parties most involved, represent a reasonable division of their interest. It is for the defendant, seeking to avoid the agreement, to show that there is something which justifies such a course, because the dispute was “contrived” (as in *BAT v Commission* [1985] ECR 363) or because there was no reasonable basis for the rights claimed (as, apparently, in *Apple Corp v Apple Computer* [1991] 3CMLR99); or because it is otherwise contrary to the public interest, for example ongoing beyond the legitimate purposes for seeking to “avoid confusional conflict” between the parties”.

The applicant for revocation states that reliance on clause 5 would be contrary to the public interest. This is clearly not the case. The only possible benefit from finding clause 5 of the agreement unenforceable would be to Fenchurch. There is no possible public interest which could justify this action. No other party could potentially benefit. The registered proprietor of the UK Trade Mark registration owns an equivalent Community Trade Mark Registration (No. 707828) for the identical mark for the identical specification of goods, which is not vulnerable to revocation on the basis of non-use. Even if the partial restriction of the registration were deemed to be in the public interest (which we do not agree with), there is clearly no justification in this case. Any member of the public could bring this action.

I do not believe that there is any question as to whether the dispute in question was “contrived”, as the agreement was a result of a genuine dispute concerning the identical trade mark. We are not quite sure how the applicant for revocation can suggest that the conflict in question was contrived. At the time of drawing up the agreement Ad-Tech felt that there was evidence that Fenchurch were infringing their registrations in the UK, and there was clear overlap in terms of the specifications covered by the applications. The agreement was drawn up to settle that conflict. It was clearly not contrived.

Bad Faith

It is submitted that the application for revocation falls squarely within clause 5 of the agreement between the parties. As the applicant for revocation was aware of the agreement (this has been admitted) it is submitted that they acted in bad faith in bringing the application. The mere fact that they may not believe that they were acting in bad faith is not relevant.

Obviously Unsustainable

It is submitted that the application for revocation falls clearly within clause 5 of the agreement in this case, and as such the applicant for revocation are in breach of contract in proceeding with this application. As such it is submitted that their application for revocation is obviously unsustainable and that the Registrar should exercise discretion in striking out the proceedings.”

THE DECISION FOLLOWING THE INTERLOCUTORY HEARING

12. At the Hearing, I reserved my Decision. Having reviewed the transcript, I communicated my decision in the matter to the parties in a letter dated 30 May 2003 (addressed to Mr Stobbs) the relevant portion of which is reproduced below:

“Having now done so, my decision is that the Registered Proprietors’ request for the proceedings to be struck out is denied. I should say that while in my view the Registrar clearly has the authority to entertain such a request, on the basis of the oral arguments and authorities referred to at the Hearing, such an approach would not be appropriate in these proceedings.

In reaching this view, I have noted that both parties agreed that the Agreement of June 1998 between them is still in place. In so far as the construction of the Agreement is concerned, and in particular how Clause 5 of the Agreement should be interpreted in the light of the Agreement as a whole, in my view, the use of the words: “*Fenchurch agrees not to object to Ad-Tech’s use and registration of the marks...*” indicates to me that Fenchurch agreed not to object to Ad-Tech’s use of the Bacti-Guard marks and their registration; the reference to registration being to both pre-existing and future registrations. That being the case, I share your view on the construction of the Agreement.

However, that of course is not an end to the matter. Having heard the parties submissions on the validity of the clause, and where the onus lies when challenging such a clause, it appears to me that I must also go on to consider whether the clause runs contrary to the general principles of trade mark law. Having done that and having borne in mind the well established principle of “use it or lose it”, it seems to me that any Agreement which seeks to avoid the consequences of non-use of a registered trade mark ought not to be considered enforceable.

In reaching this decision, I have not considered the merits of the substantive proceedings, nor is it appropriate for me to do so. I am simply stating that where a trade mark registration is open to the possibility of revocation action, it is manifestly

clear from a range of judicial decisions that such actions (if well founded) are desirable in order to avoid unused trade marks remaining on the Trade Marks Register.....

At the Hearing I agreed to allow a period of 14 days from the date of this letter for the parties to make written submissions on costs. However, given that the parties have a period of 1 month to decide how they wish to proceed in this matter, it seems sensible to allow the same period for them to make their submissions on costs.”

13. Following the issue of my letter above, Boulton Wade Tennant filed Form TM5 requesting a written statement of the grounds of my decision; I give this Decision below.

GROUNDINGS OF DECISION

14. I turn first to the question of whether or not the Registrar has, as a matter of principle, the discretion to strike out these proceedings; I am content that he does. Such discretion stems from the inherent jurisdiction of the Registrar – (see *Rhone-Poulenc SA's (Ketoprofen) Patent* [1989] RPC 570). Given that the legislation governing the Trade Marks Registry is silent on the issue of striking-out, when determining whether or not such a course of action is appropriate, the Registrar looks to the Civil Procedure Rules (CPR) which although not binding upon the Registrar (see *ST TRUDO Trade Mark* [1995] RPC 370) are of assistance. Rule 3.4 of the CPR deals with striking out. The relevant sections read as follows:

3.4

Power to strike out a statement of case

(1) In this rule and rule 3.5, reference to a statement of case includes reference to part of a statement of case.

(2) The court may strike out a statement of case if it appears to the court—

(a) that the statement of case discloses no reasonable grounds for bringing or defending the claim;

(b) that the statement of case is an abuse of the court's process or is otherwise likely to obstruct the just disposal of the proceedings; or

3.4.1 Effect of rule

"Statement of case" means "a claim form, particulars of claim where these are not included in the claim form, defence, Pt 20 claim, or a reply to a defence" (r.2.3(1)).

"Strike out" is defined in the Glossary. This rule enables the court to strike out statements of case in whole or in part and then make consequential orders. A statement of case may be struck out (in whole or in part) if:

(a) it discloses no reasonable grounds for bringing or defending the claim;

(b) it is an abuse of the court's process or is otherwise likely to obstruct the just disposal of the proceedings; or

Grounds (a) and (b) cover statements of case which are unreasonably vague, incoherent, vexatious, scurrilous or obviously ill-founded and other cases which do not amount to a legally recognisable claim or defence. This power can be exercised at the stage of issuing a claim and thus defendants against whom an ill-founded action is sought to be brought will be spared needless expense in having to initiate "strike out" proceedings.”

In addition, Paragraph 1.7 of the Practice Direction entitled “Striking out a Statement of Case” reads:

“A party may believe he can show without a trial that an opponent’s case has no real prospect of success on the facts, or that the case is bound to succeed or fail, as the case may be, because of a point of law (including the construction of a document). In such a case the party concerned may make an application under rule 3.4 or Part 24 (or both) as he thinks appropriate.”

15. Paragraph (5) of the Registered Proprietor’s Counterstatement reads as follows:

“In addition, these parties entered into an agreement, in settlement of a dispute concerning the BACTIGUARD and device trade mark, a copy of which is attached marked as Exhibit 2. In filing this application for revocation we believe that the Applicant is in breach of clause 5 of that agreement.”

Notwithstanding Ms Clark’s comments to the effect that there was no specific pleading to the effect that these proceedings were brought in bad faith, it is my view that the wording of the paragraph above would have left the Registered Proprietor in no doubts as to the Applicant’s intentions. It was palpably clear that their view was that the Agreement between the parties precluded the launching of this revocation action and as such would fall within either (or both) subsections (a) or (b) of Rule 3.4 of the CPR.

16. I now turn to consider the Agreement. In my letter to the parties following the Hearing I concluded:

“...In so far as the construction of the Agreement is concerned, and in particular how Clause 5 of the Agreement should be interpreted in the light of the Agreement as a whole, in my view, the use of the words: “*Fenchurch agrees not to object to Ad-Tech’s use and registration of the marks...*” indicates to me that Fenchurch agreed not to object to Ad-Tech’s use of the Bacti-Guard marks and their registration; the reference to registration being to both pre-existing and future registrations.”

I note that both parties agree that no other documentation has been made available which may shed light on the parties intentions at the time the Agreement was reached; I also note that the Agreement is not limited solely to the United Kingdom. I have therefore only the plain words of the Agreement to consider.

Approaching the Agreement on that basis, it is clear that the Agreement was reached (in the first instance at least) to settle opposition proceedings No. 46623. This was an opposition by Ad-Tech to Fenchurch’s application No. 2101455 for the mark BACTIGUARD in Classes 7, 11 and 21 brought on the basis of its registration No. 2027376 BACTIGUARD and device (the subject of the instant proceedings) in Classes 1, 5 and 10. Ad-Tech agreed to withdraw its opposition and not to oppose or cancel other applications or registrations for the BACTIGUARD trade mark by Fenchurch so long as the exclusion in paragraph (4) of the Agreement was included in any such applications or registrations and that the applications or registrations did not include a device element similar to that which appears in Ad-Tech’s registration No. 2027376.

Paragraphs (2) and (6) are mirroring provisions in which Fenchurch agree not to use or register the trade mark BACTIGUARD and device in relation to the goods of interest to Ad-Tech and vice versa. Similarly paragraphs (5) and (7) are mirroring provisions in which Fenchurch agrees not to object to Ad-Tech's use and registration of the trade marks BACTI GUARD and BACTIGUARD and device in relation to the goods of interest to Ad-Tech and vice versa. There is a further obligation in paragraph (3) in which Fenchurch agrees that it can only use and register its BACTIGUARD trade mark on goods falling in Classes 7, 11 and 21 as long as these goods are not expressly designed for or sold only for medical, hospital or health authority use.

17. However, I must bear in mind that this Agreement was conceived in the context of the respective parties trading activities at that time. Whilst I note that the word cancel is used in paragraph (1) of the Agreement as an obligation on Ad-Tech, there is no corresponding obligation on the part of Fenchurch. In the context of trade mark proceedings the word cancel is normally understood to relate to post registration actions which challenge the validity of a trade mark registration; but that is not to say that actions which challenge whether or not a trade mark has been put to genuine use could not also be included within this term. In so far as paragraph (5) is concerned, I have already concluded above that this is to be read as meaning that Fenchurch agreed not to object to Ad-Tech's pre-existing and future registrations but this can only be in the context of the parties trading activities at the time the Agreement was entered into. There is nothing to my mind in the Agreement which suggests that either party had turned their minds to what would happen if the marks on which the Agreement was based were not used.

The 8th recital in the preamble to First Council Directive 89/104 reads as follows:

“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.”

Based on that general proposition, (expressed in my letter as “use it or lose it”), and given that the evidential rounds had been completed, I allowed the proceedings to continue to a Hearing where the evidence filed could be considered and a substantive Decision made on whether there had, or had not been, genuine use made of the trade mark the subject of the registration.

18. However, in the event that I am wrong on the basis indicated above, I now go on to consider whether or not the Registered Proprietor is entitled to rely on a restrictive clause in an Agreement which would save them from the consequences of non-use if attacked by a party with whom they had concluded an Agreement. In this regard the parties referred me to a number of reported cases, namely: *Toltecs and Dorcet Trade Marks* [1983] FSR 327, *Apple Corps Limited and Another v Apple Computer Inc. and Others* [1991] CMLR 49 and *World Wide Fund for Nature (Formerly World Wildlife Fund) and World Wildlife Fund Incorporated v World Wrestling Federation Entertainment Inc* [2002] ETMR 53. In doing so, the parties commented in detail on which party bore the onus in such circumstances.

Commenting on the issue of onus , Ms Clark said at the Hearing:

“Yes. We say that a relevant feature in deciding upon what the true construction of the

agreement is in any event is the fact that, generally, the courts lean against giving a contract a construction which would render it potentially open to attack as being void as in restraint of trade. The approach that we take in relation to this. As you will see, there is a slight difference in approach in terms of who the onus is on in this sort of application in establishing that a particular provision is in restraint of trade. Obviously, so far as this application is concerned, it is my friend's application and the onus is upon him in satisfying you that this is a case where there is no arguable basis upon which you should entertain this revocation between the parties. He also says, however, relying upon WWF, that you must uphold this agreement and that the onus is upon us to show that the agreement is in restraint of trade. That rather presupposes that his argument and construction is correct in the first place but, leaving that to one side, my approach would be to say he has to satisfy you that that his argument and construction is right, first and foremost. Thereafter, I am not happy that what the Court of Appeal was saying about the approach you should take and who the onus is on is absolutely as black and white as he would have, the reason for that being that it is settled law, as a matter of common law that the onus is on the party seeking to rely upon a restrictive provision to show that it is reasonable."

Ms Clark added:

".....[I]t may be that an agreement of the type in the WWF case is one of those, but the reality is that when you actually look at the WWF case you do not see a provision like the one in issue here..."

"So the whole point under challenge in this particular case was whether or not the restrictions on the parties' use of marks in a particular way should be upheld. There is no provision in this agreement saying that a party will not seek to challenge a mark which would otherwise be liable to be revoked on grounds of non-use and we say that had the court been looking at a provision of that type, then its approach to where the burden lay may well have been different."

19. In his skeleton argument and at the Hearing, Mr Stobbs placed great reliance on the Decisions of the Court of Appeal in *World Wide Fund for Nature (Formerly World Wildlife Fund) and World Wildlife Fund Incorporated v World Wrestling Federation Entertainment Inc* and *Apple Corps Limited and Another v Apple Computer Inc. and Others*. In particular Mr Stobbs relied upon the following passage from the WWF case (which I reproduce again below for the sake of convenience);

"Where the claimant has been a party to a settlement of a genuine dispute, designed to define the boundaries of the trading as against the defendant, he is entitled to expect that to be enforced. It is not for him to prove that it is reasonable. The presumption is that the restraints, having been agreed between the two parties most involved, represent a reasonable division of their interest. It is for the defendant, seeking to avoid the agreement, to show that there is something which justifies such a course, because the dispute was "contrived" (as in *BAT v Commission* [1985] ECR 363) or because there was no reasonable basis for the rights claimed (as, apparently, in *Apple Corp v Apple Computer* [1991] 3CMLR99); or because it is otherwise contrary to the public interest, for example ongoing beyond the legitimate purposes for seeking to "avoid confusional conflict" between the parties".

20. Having re-read the case again, non-use does not appear to be a factor with which the Court was directly concerned. That being so and whilst Ms Clark accepted that the Decision does have considerable relevance to the importance of delimitation agreements in general, I agree with her that the Court did not comment on how it would have approached the matter if non-use had been in issue. However, in that Decision the Court commented that at first instance the judge had set a “threshold requirement” with which they agreed. The relevant passage is as follows:

“**40** Before the judge the argument seems to have developed into a clash between two conflicting principles of public policy. The Federation relied on the principle of restraint of trade: any restriction on its use of the mark WWF was a restriction in restraint of its trade and therefore void, unless the Fund could justify it. The Fund started from the opposite position: this was a compromise agreement, by way of settlement of genuine disputes between the parties, and public policy demanded that such agreements should be respected.

41 The judge resolved this apparent conflict by setting a "threshold requirement" before the restraint of trade doctrine could apply: that the restraint should "*obviously* overreach" the intellectual property right concerned (para 26). With this in mind, he formulated a three-stage test (para 28):

"Thus a restraint imposed by an intellectual property dispute settlement should only be regarded as falling within the restraint of trade doctrine (and thus require justification) if the restrained party can show that: (a) the restraint actually imposes a real fetter on his trade; and (b) the restraint *goes beyond any reasonably arguable scope of protection of* the intellectual property right in issue. If the restrainee can show that, the restrainer may nonetheless justify by showing (c) that the restraint nonetheless provides a protection which he reasonably needs. I add (c) because there may be cases where the restrainer can justify the restraint independently of or in conjunction with any intellectual property right. The ultimate question is whether the restraint is reasonable in all the circumstances. The restrainer's intellectual property rights are not necessarily the sole determinant of this" (emphasis added)."

At the Hearing Ms Clark said:

“In this case we say that you do have a case of obvious overreaching if it is going to be said that this agreement includes a provision which would prevent my clients from applying to revoke an obviously invalid mark; so a mark which had been the subject of five years non use and was revocable.”

And:

“What we are dealing with is a supervening event which we say the parties did not intend to cover and did not cover and it is on that basis the agreement is valid and enforceable. However, if some contrary construction is going to be contended for, we say that the provision is invalid as in restraint of trade.”

21. The *Toltecs and Dorcet* Trade Marks case (a case heard before the Commission of the

European Communities) involved the specific inclusion in an agreement between the two parties concerned namely (BAT and Mr Segers) of a no-challenge clause. The specific clause read as follows:

“Clause 3

Mr Segers’ undertakes to restrict the products listed under the IR mark 395536 in the Federal Republic of Germany to “curly cut tobacco (shag)” and after protection is granted in the Federal Republic of Germany, to use the word/device mark Toltecs Special for this product only, to claim no right as against BAT arising from the registration and use of the mark Toltecs Special, not even if the latter does not use its 865058 Dorcet mark for more than five years or if it applies again for registration of the mark or a mark other than Toltecs Special that could be confused with it within the meaning of Section 31 of the German trade mark law”.

Commenting on this Clause in paragraph 49 of their Decision, the Commission said:

“Contrary to the view expressed in BAT’s abovementioned letter of 9 September 1980, Mr Segers contractual renunciation of his right to attack non-use of the Dorcet mark must be disregarded for the purposes of the application of Article 85. The overriding public interest in the cancellation of trade marks that are not used or that can be challenged on other grounds requires that neither Mr Segers nor any other third party should be prevented from taking steps to obtain such a cancellation with all its repercussions.”

Clearly the agreement in these proceedings does not include a specifically worded no-challenge clause. However, the Commission’s views on such a clause and its relevance are of interest, and I note, appear to be in conformity with the sentiment expressed in the 8th recital to the preamble of the First Council Directive 89/104 reproduced above.

22. At the Hearing Mr Stobbs pointed out that that the Agreement between the two parties did not preclude the possibility of an attack on the registration in suit by third parties. He said:

“Something is also made of public policy in respect of non-use. I am afraid, again, I do not really see what public policy issue there could be in respect of this specific case i.e. in bringing this case in breach of contract, but it should be allowed to go ahead for public policy reasons. Obviously, as stated in correspondence in this case already, if a third party was sued by my client in respect of its registration it would be perfectly entitled itself to bring non-use proceedings. The mere fact of this application being struck out does not preclude someone else from doing it. We just want to uphold the terms which have been agreed between these two parties. It seems to me there is a much stronger public interest in upholding agreements between two parties settling disputes than there would be in allowing this to proceed.”

23. Whilst I understand Mr Stobb’s position, with respect I disagree with his conclusion. It is well established that trade marks should either be used or if not used, be subject to revocation (see my comments above). The presence on the Trade Marks Register of a trade mark which may be unused is liable to impact adversely on the possible adoption of the same or similar mark for the same or similar goods by a range of other undertakings; other undertakings who may not wish (or indeed have the means) to become embroiled in what can become a lengthy

and costly legal dispute. In such circumstances they would in effect simply have to “move on” to consider other possible trade marks for their products. In my view placing a burden of this kind on such undertakings is inappropriate and is inconsistent with the principle expressed in the 8th recital in the preamble to the Directive mentioned above.

CONCLUSION

24. In view of my findings above, I have concluded that:

(i) on the pleadings, it was open to the Registered Proprietor to seek to have this application for revocation struck-out;

(ii) whilst on its face the Agreement between the parties appears to suggest that the Applicant for Revocation would not challenge the Registered Proprietor’s registered trade mark, the Agreement was formulated in the context of the parties trading activities at the time the Agreement was entered into. In reality, in my view, neither party had actually turned its mind to the question of what was open to them to do (or not to do) if a particular trade mark became vulnerable on the basis of non-use;

(iii) trade mark law in relation to potentially unused trade marks is absolutely clear. Trade marks should be used, and if not used, should be subject to revocation. Any Agreement which seeks to avoid this consequence should be considered in restraint of trade.

25. The evidential rounds having been completed, the consequence of this Decision is that the proceedings will continue, and that a Decision will be taken in due course on the substantive issue i.e. whether there has, or has not been, genuine use of the trade mark the subject of the proceedings.

26. In the final paragraph of my letter to the parties dated 30 May 2003 following the Interlocutory Hearing, I said:

“At the Hearing I agreed to allow a period of 14 days from the date of this letter for the parties to make written submissions on costs. However, given that the parties have a period of 1 month to decide how they wish to proceed in this matter, it seems sensible to allow the same period for them to make their submissions on costs.”

As I did not receive any submissions on costs in the time period allowed, I propose to make no further comment on the matter. It is, of course, an issue that can be taken into account by the Hearing Officer at the conclusion of the proceedings.

Dated this 30th Day of September 2004.

C J BOWEN
For the Registrar
The Comptroller-General