

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION No. 10660
BY TOWER SOFTWARE ENGINEERING PTY LTD
FOR REVOCATION OF REGISTRATION No. 1270050
STANDING IN THE NAME OF JOHN A SEIDEN**

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DECISION

1. The trade mark TRIM is registered in the name of John A Seiden for 'computer programs' in Class 9. It is numbered 1270050 and stands registered as of the filing date of 26 June 1986.
2. On 29 March 1999 Tower Software Engineering Pty Ltd applied for this registration to be revoked relying on the following grounds:
 - "a. That within a period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the goods for which it is registered, and there are no proper reasons for non-use.
 - b. That such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use."
3. These grounds go to Section 46(1)(a) and (b) of the Act. The registered proprietor filed a counterstatement denying the above grounds and asking that the Registrar should exercise discretion in his favour.
4. Both sides ask for an award of costs in their favour.
5. Both sides filed evidence. The matter came to be heard on 19 February 2001 when the applicants for revocation were represented by Mr N Parnell of Withers & Rogers. The registered proprietor did not attend and was not represented but did make written submissions. I take those submissions into account. They are directed in the main to issues to do with security for costs. I will touch on this to the extent that I am able at the end of this decision.
6. The relevant parts of Section 46 of the Act read:
 - "46.-(1) The registration of a trade mark may be revoked on any of the following grounds-
 - (a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;
 - (b) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use;

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

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

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

7. Section 100 of the Act is also relevant:

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

8. It is clear from Section 100 that the onus is on the proprietor to demonstrate use once a challenge has been raised.

9. Mr Seiden has filed two statutory declarations in support of his claim to have used the mark. The main facts and evidence to emerge are as follows:

S Mr Seiden took an assignment of the registration from Talent Computers on 3 January 1989

S a copy of the assignment document is exhibited (JS2) along with correspondence relating thereto (JS 3 to 6)

S an e-mail address and account was opened on 7 December 1993 this being trim@compuserve.com. A website address also exists.

S specimen letterheads showing TRIM TECHNOLOGIES and TRIM set in a triangle device are exhibited (Exhibit 1)

S copies of three trade mark licence agreements are exhibited (JS7 to 9).

10. I will refer to such parts of this evidence as are necessary in coming to my decision. The applicants filed an affidavit by Peter Macie, their Company Secretary. In the main this consists of background information on the dispute and submissions in relation to Mr Seiden's evidence. The only point I need to record is that Mr Macie exhibits (PM4) a copy of an investigator's report produced by Farncombe International Ltd. Mr Seiden has made a number of criticisms of this document. In my view he is entitled to do so. Crucially it fails to identify the name of the writer of the report or to say whether it

is the writer or another member of the investigation firm who conducted the enquiries (the report is written in the first person plural). It may, therefore, be hearsay. It also fails to indicate the dates when telephone calls are claimed to have taken place. Accordingly I can give little, if any, weight to this document.

11. The registered proprietor is required to show genuine use of the mark within the relevant period if he is to successfully defend his registration (there being no claim that there are proper reasons for non-use). The registration was filed on 26 June 1986 and completed its registration procedure on 22 January 1988. The relevant five year period under Section 46(1)(a) is 23 January 1988 to 22 January 1993. The applicants have not specified a period in relation to Section 46(1)(b). I, therefore, take it to be the five year period up to the filing date of the application, that is to say the period starting on 29 March 1994.
12. The first question to arise is what is meant by 'genuine use'? Jacob J considered the matter in the following passage from *Euromarket Designs Incorporated v Peters and another* 2000 All ER (D) 1050 (the *Crate & Barrel* case):

"50. Assume, however there were these three things, namely the packaging on a few items posted at the US customer's request to the UK, gift registry sales, and a tiny amount of spillover advertisements in what the reader in the UK would know are US journals. Do they individually or collectively amount to "genuine use" of the UK registered mark? Miss Vitoria contends they do. She says the reference to "genuine" is merely in contradistinction to "sham". Small though the use may have been, there was nothing fake about it. The mark appeared in the UK in connection with genuine transactions and that is enough.

51. I disagree. It seems to me that "genuine use" must involve that which a trader or consumer would regard as a real or genuine trade in this country. This involves quantity as well as the nature of the use. In part it is a question of degree and there may be cases on the borderline. If that were not so, if Miss Vitoria were right, a single advertisement intended for local consumption in just one US city in a journal which happened to have a tiny UK distribution would be enough to save a trade mark monopoly in this country. Yet the advertisement would not be "sham." This to my mind shows that Miss Vitoria's gloss on the meaning of "genuine" is not enough. And the only stopping place after that is real trade in this country. I think all the examples relied upon are examples of trade just in the US."

13. The question also arises as to what acts can constitute use of a mark. Section 46 does not specify any restrictions on the type of use that can qualify though it does expressly include use on goods for export (Section 46(2)).
14. Kerly's Law of Trade Marks and Trade Names, Thirteenth Edition, comments as follows at 9-50:

"Furthermore, it is suggested that, to constitute genuine use, the use relied upon must be use in the course of a trade. In this context, the proviso to Section 46(3) draws a clear distinction between use and preparations for use. That is a powerful indicator that preparations for use do not constitute use, although it may be quite difficult to fix the line between the two. It is suggested that a trade in the goods or services in question must have commenced. Test marketing ought to be sufficient. Orders placed on component suppliers using the mark were

held bona fide use under the 1938 Act, but that is probably too thin to constitute "genuine use" under the 1994 Act. Equally, purely internal deliberations about use of the mark should not be sufficient. In all cases, the decision is whether genuine use has been established."

and at 9-53:

"..... account may also be taken of section 10(4):

"For the purposes of this section a person uses a sign if, in particular, he-

- (a) affixes it to goods or the packaging thereof;
- (b) offers or exposes goods for sale, puts them on the market or stocks them for those purposes under the sign, or offers or supplies services under the sign;
- (c) imports or exports goods under the sign;
- (d) uses the sign on business papers or in advertising."

Despite the fact that Section 10(4) is expressed to apply for the purposes of Section 10 (only), the types of use set out are the principal ways in which a trade mark is used. These types of use are equally applicable when considering the ways in which a trade mark is alleged to have been used for the purposes of Section 46.

Generally, it is suggested that "use" in section 46 should be construed broadly and encompasses any use of the trade mark for the purposes of trade. To put the matter another way, if the alleged use for Section 46(1)(a) or (b) had been made without the consent of the proprietor, constituted use as a trade mark and constituted Section 10(1) infringement, it is suggested that use ought to be taken into account under Section 46."

15. Section 10(4) is concerned with infringement of registered trade marks and not revocation on grounds of non-use. The above passage from Kerly's acknowledges the difficulty inherent in relying on the construction placed on terms in one Section of the Act in interpreting provisions elsewhere in the Act. Jacob J also considered and acknowledged the separate nature and purposes of the provisions in Section 10(4) and Section 46 in the *Crate & Barrel* case referred to above (paragraph 57) though I do not think he was intending to express a fully considered view on the matter in what was an application for summary judgment in an infringement action.
16. In any case, even to the extent that Section 10(4) is indicative of what may constitute use of a sign, I note that the four categories are prefaced by the words 'in particular'. The list is therefore illustrative rather than exhaustive. But it is reasonable to suppose that the examples given are considered to be the most obvious ways in which use of a sign is likely to occur.
17. A footnote in Kerly's records the following comments from one of the Registry's Hearing Officers in 'Adrenalin' Trade Mark SRIS 0/336/99:

"When evidence is provided by a proprietor in defence of their registration, the Registrar would normally expect to see for example, figures detailing financial turnover or profit from sales of goods or services under the mark, details of exactly what goods or services have been offered under the mark, expenditure on advertising the mark with details of where and when

the mark was advertised, exhibits demonstrating how the mark is promoted in advertising and how the mark was placed on goods in the marketplace."

18. Again the Hearing Officer was not setting out to provide an exhaustive list but was indicating the sort of information/evidence that is normally relied upon in support of a claim to have used a mark (cf also the OHIM Opposition Division's decision in Payless Car Rental System, Inc's application, 2000 ETMR 1136).
19. In ELLE Trade Marks, 1997 FSR 529, Lloyd J considered a set of circumstances which he clearly thought was at the margins of being 'genuine use'. Headnote (3) to that decision records that:

"(3) The offer for sale of cosmetics branded "ELLE" in the United Kingdom through foreign editions of the plaintiff's magazine would not fail to qualify for the purposes of Section 46 by reason of the fact that there was no evidence of actual sales during the relevant period. Although it was fairly near the borderline, it could constitute genuine use within the United Kingdom of the mark in relation to a trade in goods within the relevant class."
20. The common thread that seems to me to run through all these cases is that the proprietor must show use in the course of trade, that is to say that goods or services must have changed hands or at least have been offered for sale. In the absence of at least that much it is difficult to see how any trade can have been contemplated. There will be cases at the margins such as ELLE where advertising usage has to be relied on but that appears to be in the nature of a minimum requirement. In the majority of cases where a proprietor defends his registration against a non-use attack one would, I think, expect to see evidence of actual sales through I acknowledge that ELLE suggests that this should not be elevated to a firm requirement.
21. Turning to the evidence before me I find I can get no assistance from the assignment document and related correspondence (Exhibits JS 2 to 6) relating to Mr Seiden's purchase and assignment of the registration from Talent Computer Systems Ltd on 3 January 1989. An assignment effects a change of ownership of a mark. It is not in itself evidence of use of a mark. Whether an assignment (depending on its timing) could even be held to be a contributory factor in support of proper reasons for non-use is somewhat doubtful. Mr Parnell, rightly I think, started from the premise that it is for the purchaser of a registered trade mark to satisfy him or herself that it is not vulnerable to attack for non use. In any case the point is somewhat academic as I do not read Mr Seiden's counterstatement as suggesting that there are proper reasons for non use. Given also that this revocation action was launched some ten years after he took ownership of the registration the fact of the assignment is scarcely likely to be a credible defence.
22. The remaining evidence has been supplied in support of Mr Seiden's claim to have used the mark. Exhibit 1 to Mr Seiden's first declaration consists of two examples of letter headed paper. They are otherwise blank and are certainly not evidence of any trade having taken place under the mark. Likewise the existence of e-mail and website addresses incorporating the word TRIM is not in itself proof that the mark has been used in relation to the goods at issue.
23. The most relevant evidence is, therefore, exhibits JS 7 to 9, these being three licence agreements involving the mark.

24. Geoffrey Hobbs QC, sitting as the Appointed Person in Raleigh International Trade Mark, 2001 RPC 202, considered licensed use and commented:

"The question which arises when a trade mark has been used under licence is whether the context and manner of the licensed use can be said to "guarantee the identity of the origin of the marked product to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin" and so "offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality": see Canon paragraphs 27 and 28. If so, the licensed use is liable to have amplified the distinctiveness and reputation of the licensed trade mark and can be taken into account on the basis that "use of the trade mark with the consent of the proprietor.... shall be deemed to constitute use by the proprietor": Article 10(3) of the Directive; IHT Internationale Heiztechnik GmbH paragraph 34."

and

"In my view the question whether licensing has amplified the distinctiveness and reputation of a trade mark is a question of fact to be determined on the basis of evidence put forward for the purpose of demonstrating that it has."

25. These comments were made in the context of his consideration of the effect of licensed use on the distinctiveness of an earlier trade mark for Section 5(2) purposes. But I see no reason why licensed use cannot, in principle, be taken into account under Section 46. Moreover Mr Hobbs draws support for his view from Article 10(3) which deals with use of trade marks in the context of a revocation action. Licensed use therefore may be taken to be use with the consent of the proprietor.
26. Mr Seiden has filed three licence agreements. The first is dated and commences on 1 January 1991. Clause 3 deals with the duration of the agreement. Unless terminated in the circumstances set down elsewhere in the document it is said to continue in force until terminated by either party on six months notice expiring on 31 December 1997 or any subsequent 31 December. There is no evidence to suggest this agreement has been terminated. It, therefore, appears to have been current during the relevant period. The second agreement is dated and commences on 1 January 1997. That places it squarely within the relevant period. The third agreement is dated 20 September 2000. It thus falls outside the relevant period and must be discounted.
27. Concentrating on the first two agreements I note that they are in near identical form. The first is with CE Limited as licensee and the second with Tapeworm Cassettes Ltd though I note that the licensee's address for service (Clause 15.4) wrongly, I think, refers to C E Ltd and that company's address. The licensor in each case is Mr Seiden.
28. The agreements are lengthy and detailed documents. The most relevant conditions for present purposes are that the products covered are said (in Clause 1.1) to be those shown in Schedule 2; Schedule 2, against the products heading, says 'any'; there is nothing in the body of the agreement that sheds further light on the products; the trade mark TRIM is referred to in Schedule 1; the license is non-exclusive (Clause 2.1); the licensor is to have conduct of all proceedings relating to the mark (Clause 7.3); in consideration of the grant of the licence a royalty payment is due based on the net sale

price of the products (Clause 8.2); the licensee is required to provide a statement of sales (Clause 8.3); the licensee is required to keep detailed books and records which the licensor is entitled to inspect (Clause 8.5); and the licensee is required to supply the licensor with an audited certificate each year showing sales made and royalties due (Clause 8.6).

29. In the extract from the *Crate and Barrel* case referred to above Jacob J was of the view that genuine use "must involve that which a trader or consumer would regard as a real or genuine trade in this country". The mere existence of a licence agreement does not seem to me to meet that test. It is reasonable to suppose that by entering into licence agreements use of the mark was being contemplated. But without more it does not result in a single product being sold or a single piece of promotional material appearing offering goods for sale. The notion of a trade in goods must, I think, involve the sale of goods or, at the least, goods being offered to the relevant potential customer base with a view to sales being made. Without this there is no trade or prospect of trade and hence no genuine use. I find nothing in the law or the other authorities which would lead me to a different view. Advertisements without supporting evidence of sales may be at the margins of what can constitute genuine use. But advertisements, unlike the existence of a licence agreement, imply some public manifestation that goods exist and a trade in those goods is intended.
30. Even if the existence of a licence is taken as an example of preparation for use it does not assist the registered proprietor. The passage from *Kerly's* referred to above (9-50) notes the distinction in Section 46(3) between "preparations for use" and actual use. In the particular circumstances dealt with in Section 46(3) preparation for use does not of itself save the registration. Rather it serves to validate the actual use that has taken place by demonstrating that use was not simply commenced or resumed for the purpose of defeating a non-use attack.
31. If on the other hand there had been sales under the mark it is clear from my brief review of the licence conditions that the proprietor must have been aware of that fact and been in a position to demonstrate it. In particular the agreements contained ample conditions of the kind commonly found in such documents to ensure that the licensee accounts to the licensor for sales and royalty payments due under the terms of the licence. No such information, or other indicators of use, have been placed before me. I can only, therefore, conclude that there has been no genuine use of the mark.
32. Finally I note that Mr Seiden's counterstatement asks for the Registrar to exercise her discretion in his favour. I do not know if he was intending thereby to raise or re-open a point of law. The question of whether the Registrar has an overriding or general discretion in revocation cases has been considered in a number of cases with two Registry hearing officers coming to different conclusions on the matter (see *INVERMONT Trade Mark* 1997 RPC 125 and *ZIPPO* 1999 RPC 173). More recently the question has been the subject of a High Court decision by Mr Justice Neuberger in *Premier Brands UK Ltd v Typhoon Europe Ltd* and another (2000 ETMR 1071). I do not propose to record the full text of the part of the judgment dealing with the point but for the benefit of the parties in this case the following are his concluding remarks:

"I do not find it surprising that two members of the Trade Marks Registry come to different conclusions on this difficult point. With diffidence, I have reached the conclusion that the view expressed in *ZIPPO* [1999] RPC 173, namely that there is no discretion, is to be preferred. For reasons I have given, I do not find any of the reasons supporting either view particularly strong. However, it does seem to me somewhat odd if the legislature has

specifically provided for no revocation in the event of there being good reason for the non-use, but nonetheless has left the Court with a residual discretion, particularly without giving any indication as to what factors should be taken into account when exercising that discretion. Furthermore consideration of the combined effect of Section 46(1)(c) and (d) suggest to me that it is more likely that the legislature intended that those two paragraphs were to represent mandatory, rather than discretionary, grounds for revocation. Section 46(5) and Article 13 tend to point in favour of the conclusion I have reached. The words "may" in Section 46(1) and "liable" in Article 12 are perfectly consistent with the concept of revocation being mandatory but only occurring in the event of an application being made. I also bear in mind that it is not only a privilege for a person to be the proprietor of a registered trade mark, but it represents a monopoly: the Court should not be too ready to perpetuate a monopoly in favour of a person who has not done anything to promote or enjoy it for a period of five years. Decisions of the ECJ to which I have referred show that a major purpose of the trade mark legislation is to protect those who have expended time, effort, ingenuity and money in disseminating a trade mark and building up goodwill in relation to it. It seems to me that the obverse of this approach is that a person who does not use a trade mark for five years or more should lose it."

33. I regard myself as being bound by the view that there is no discretion to exercise. In the event, therefore, the revocation is successful. I order that the registration be revoked in its entirety from 22 January 1993 this being the date five years after the completion of the registration procedure (the Section 46(1)(a) ground)).
34. Finally I turn to costs issues. I referred earlier to Mr Seiden's written submissions which mainly deal with the matter of security for costs. That issue and the circumstances surrounding it were the subject of an interlocutory hearing before another hearing officer on 24 March 2000. Subsequent to the hearing a full statement of grounds was issued dated 4 May 2000. The concluding paragraph of that decision summarised the outcome as follows:

"It does not seem to me, that Withers & Rogers, on behalf of the applicant for revocation, have deliberately sought to thwart or disadvantage the registered proprietor. It might have been expected that they should have known that it was not the Trade Marks Registry's practice to hold security for costs monies in trade marks disputes. However, the provision of security for costs is a relatively rare occurrence in trade marks disputes such that some lack of awareness, even by professional representatives must be tolerated. But the point at issue is whether the registered proprietor has been harmed or disadvantaged by their action or in some way inconvenienced to the point where it would be right to hold that because the monies were not paid as directed within the one month stipulated by the Trade Marks Registry the application should be deemed abandoned under the provisions of Rule 55(2). In my view it would not. There has been no disadvantage or inconvenience such that the determination of this case should not be on the basis of the substantive issue rather than a technical one. I was satisfied that the direction for security for costs in this case had been met, the cheque for £900 having been paid into the Patent Office on 8 December 1999 and accordingly I refused to deem the application abandoned. The proceedings continue and the registered proprietor was advised that he had three months from the date of the hearing in which to file his evidence in support of his registration."

35. No appeal was lodged against that decision. It is, of course, not open to me to revisit the issue of security for costs or the circumstances leading up to the order. I do not, therefore, propose to comment on Mr Seiden's written submissions on the matter. There is, however, one particular claim which should not be allowed to pass without comment. In paragraph 23 of his written submissions Mr Seiden says "I understand that payment was not made by the applicant although PO [Patent Office] confirms receipt of £900 probably into the special account. Subsequently this amount may have been used for other purposes although details were requested they were not supplied. Effectively implying that payment may not have been made at all". Suffice to say that Mr Seiden was informed by the Office's letter of 20 December 1999 that it was in receipt of the sum involved and that it is held in a suspense account. It will continue to be so held until the final determination of this case, that is to say until all appeal routes have been exhausted should the matter go to appeal.
36. As the applicants have been successful in this action they are entitled to a contribution towards their costs. Mr Parnell asked me to take into account the protracted correspondence that had taken place. Taking all the circumstances into account I order the registered proprietor to pay the applicants the sum of £1000. This sum is to be paid within seven days of the end of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 5th day of March 2001

**M REYNOLDS
For the Registrar
the Comptroller-General**