

IN THE MATTER OF REGISTERED TRADE MARKS NOS. 2237611, 2237614,
2237625 AND 2237628 IN THE NAME OF TARGET FIXINGS LIMITED

AND IN THE MATTER OF APPLICATIONS FOR DECLARATIONS OF
INVALIDITY THEREOF NOS. 81521, 81760, 81760 AND 81762 BY BRUTT
BETEILIGUNGSGESELLSCHAFT MBH, DANIELA BRÜTT, BRUTT SAVER
GERMANY GMBH AND BRUTT SAVER HUNGARY KFT

DECISION

Introduction

1. Target Fixings Ltd (“the proprietor”) is the registered proprietor of the following registrations (collectively “the Marks”):
 - (1) No 2237611 for a series of two trade marks BRUTT HELICAL/Brutt Helical registered as of 29 June 2000 in respect of various goods in Classes 6 and 19;
 - (2) No 2237614 for a series of two trade marks BRUTT/Brutt registered as of 29 June 2000 in respect of various goods in Classes 6 and 19;
 - (3) No 2237625 for a series of two trade marks BRUTT BAR/Brutt Bar registered as of 29 June 2000 in respect of various goods in Class 6;
and

- (4) No 2237628 for a series of two trade marks BRUTT BOND/Brutt Bond registered as of 29 June 2000 in respect of various goods in Class 19.
2. By applications dated 21 November 2003 and 11 June 2004, as subsequently amended, Brutt Beteiligungsgesellschaft mbH, Daniela Brütt, Brutt Saver Germany GmbH and Brutt Saver Hungary Kft (“the applicants”) applied for declarations that each of the Marks was invalidly registered on the grounds that the Marks were applied for in bad faith contrary to section 3(6) of the Trade Marks Act 1994 and/or were applied for by a person who was an agent or representative of a person who was the proprietor of the trade marks in a Convention country within section 60(1) of the 1994 Act.
3. After evidence had been served by both sides and a hearing, Mike Foley acting for the Registrar dismissed the applications in a written decision dated 10 April 2006 (O/100/06). The applicants now appeal.

Relevant provisions of the Trade Marks Act 1994

4. Section 3(6) of the 1994 Act provides:

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

5. Section 47(1) of the 1994 Act provides in relevant part:

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).

6. Section 60 of the 1994 Act provides in relevant part:

- (1) The following provisions apply where an application for registration of a trade mark is made by a person who is an agent or representative of a person who is the proprietor of the mark in a Convention country.

- (2) If the proprietor opposes the application, registration shall be refused.
 - (3) If the application (not being so opposed) is granted, the proprietor may-
 - (a) apply for a declaration of the invalidity of the registration...
 - (5) Subsections (2), (3) and (4) do not apply if, or to the extent that, the agent or representative justifies his action.
7. Sections 3(6) and 47(1) implement Article 3(2)(d) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks and correspond to Articles 51(1)(b) of Council Regulation 40/94/EC of 20 December 1993 on the Community trade mark. Section 60 implements Article 6*septies* of the Paris Convention for the Protection of Industrial Property and corresponds to Articles 8(3) and 52(1)(b) of the Regulation.

The statements of case

8. In their amended statements of case the applicants made the following principal allegations:
1. The Applicants ... are ... (hereinafter collectively referred to as 'BRUTT'... The fourth Applicant is a manufacturing company. It produces the helical nails and bars and sells its products to the third Applicant and other companies in the BRUTT Group, and also to other customers. BRUTT operate throughout Europe and North America making specialist fixings for use in the building industry, which they sell via a network of distributors. The trade mark BRUTT is the English translation of the name of the family who founded and own the majority of the shares in the Brutt Group of companies.

...
 3. Target were formerly distributors for BRUTT in the UK and this relationship ended in October 2000. As the evidence will show at no time during the relationship between BRUTT and Target was any permission given to Target by BRUTT to make applications to register the BRUTT trade mark or marks incorporating that term anywhere.
 4. BRUTT request ... that the registration ... be declared invalid in view of the fact that Target were the agents or representatives of BRUTT in

the UK and as will be shown in evidence acted in bad faith in applying to register the trade mark BRUTT without BRUTT's knowledge...

9. In its statements of case the proprietor responded *inter alia* as follows:
1. The registered proprietor ... (hereinafter 'TFL') is a company set up in January 1997...
 2. At that time TFL regularly specified in their design engineering solutions the use of helical-shaped fixings for the repair of masonry based on helical-shaped materials, the manufacturing process of which was invented and patented by Messrs Henry and John Ollis and which were manufactured by Helifix Ltd.
 3. Helifix Ltd made the fixings following the patented manufacturing process from stainless steel and it was decided by TFL that fixings with alternative materials should be made, including mild steel and carbon steel.
 4. For such purposes TFL approached Mr Gunter Brütt, who had a manufacturing company, Thomas GmbH in Frankfurt...
 5. With the patent owners' agreement Mr Gunter Brütt manufactured fixings from his Hungarian-owned manufacturing facilities and companies, namely Plastmontier KFT and Napro KFT... These goods were manufactured in accordance with the patent owners' helical manufacturing process and shaped and cut to a diameter and length given to the manufacturer....
 6. The choice of trade mark was left to the sole discretion of TFL. The choice of mark was made in September 1997 during an evening discussion between Barry Winson and Mr Robert Hall, who are both directors of TFL, and Mr Scott Burns, a Canadian engineering solutions company, whom TFL had also introduced to Gunter Brütt. Mr Scott Burns eventually adopted the name BLOK-LOK for use in Canada, while TFL chose the name BRUTT BAR for the fixings and BRUTT BOND for the cementitious bonding agent. The choice of the word BRUTT was an anglicised version of Mr Gunter Brütt's name, chosen because it was felt that as the fixings were made of strong materials such as steel-reinforced material lengths, the mark BRUTT BAR would reflect its strength and description as in the English word 'BRUTE'. Mr Gunter Brütt made no objection to this choice of trade mark and was fully aware that the mark was affixed to the goods when delivered in the United Kingdom.
 7. The relationship between TFL and Mr Gunter Brütt's Hungarian manufacturers was extremely successful... As Mr Gunter Brütt did not have the structural engineering expertise to advise on and apply the specialist fixings, a joint venture was proposed with the incorporation

of the Hungarian company Brutt Helical KFT, which was half-owned by Target Group Holdings Ltd. (TFL's holding company) and the other half owned by Mr Gunter Brütt...

...

9. Unfortunately, the joint venture proved unsuccessful...

...

11. At no point was TFL an agent or distributor of the applicants for invalidity. The reality of the situation was the exact opposite, namely TFL ordered the manufactured goods from various Hungarian companies, requesting them to manufacture fixings to a detailed specification which were marked by TFL or at TFL's request and manufactured in a helical shape following the patent owners' process.

10. It can be seen from the statements of case that the principal question upon which the parties joined issue was the factual question of who was the agent or distributor of whom. By contrast there was no dispute that the Marks were derived from the name of the Brütt family. Nor did the proprietor suggest that it had applied to register the Marks with the knowledge or consent of the applicants.

The evidence

11. Evidence was given on behalf of the applicants by Daniela Brütt, Gunter Brütt and Emma Pitcher of their trade mark attorneys Boulton Watt Tennant. Evidence was given on behalf of the proprietor by Robert Hall and Rowland Buehrlen of its trade mark attorneys Beck Greener. The evidence of both sides is unsatisfactory in that it is incomplete and in that it includes a considerable quantity of hearsay material, including evidence and submissions from parallel proceedings in OHIM. In addition, there are certain conflicts between the evidence given by the applicants' witnesses and that given by the proprietor's witnesses, in particular on the central question of who was the agent or distributor of whom. Despite this, neither side applied to cross-examine any of the other side's witnesses.

The hearing officer's decision

12. The hearing officer's decision, as is customary, is structured in two parts. The first part is headed "Background" and briefly introduces the issues before summarising the evidence adduced by the parties. The second part is headed "Decision" and deals first with the objection under section 3(6) at some length and then briefly with the objection under section 60.

13. So far as section 3(6) is concerned, the hearing officer first considered the law and then the facts. With regard to the law, he considered *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367, *ROYAL ENFIELD Trade Marks* [2002] RPC 24, *Harrison v Teton Valley Trading Co Ltd* [2004] EWCA Civ, [2004] 1 WLR 2577 and *Barlow Clowes International Ltd v Eurotrust International Ltd* [2005] UKPC 37, [2006] 1 All ER (Comm) 478 and concluded:

[42] On the basis of these authorities, it is clear that a finding of bad faith may be made in circumstances which do not involve actual dishonesty, and that it is not necessary for me to reach a view on the registered proprietors' state of mind if I am satisfied that, in all the surrounding circumstances, their actions in applying for the trade marks would have been considered contrary to normally accepted standards of honest conduct.

14. Turning to the facts, the hearing officer began by recording the submissions of counsel for the applicants that he was presented with two stories, that if he considered both the inherent plausibility and the support from contemporary documents he would find that the applicants' position was the stronger and that accordingly facts justifying the section 3(6) objection were established on the balance of probabilities. In response the hearing officer observed:

[44] I am not entirely sure Mr Brandreth's approach is the correct one. The determination of alleged bad faith is not a matter of which story is 'more forceful', is 'best supported' or a question of the 'balance of probabilities'. As was stated in *Davy v Garrett*, an allegation of bad faith must be 'distinctly proved' and must not be 'inferred' from the facts.

The hearing officer returned to this point later in the decision, saying at [71] that treating one piece of evidence as showing that the proprietor had acted in bad faith:

... is at best drawing an inference which, as I have already mentioned, I am not permitted to do, and at worst is no more than conjecture.

15. The hearing officer went on to discuss the parties' respective evidence and certain submissions that had been made to him, noting in a number of instances questions which he considered to be raised but not satisfactorily answered by the evidence. At [61] he set out the key issue which I have identified in paragraph 10 above. So far as I can see, however, the hearing officer did not come down on one side or the other with regard to this issue. Instead, his conclusion was as follows:

[72] In my view this is a case where cross-examination may have provided some clarity, but in the absence of this, I have to make the best that I can of what is before me. The onus in establishing that, in making the applications to register the trade marks in suit, the now registered proprietors had acted in bad faith, rests firmly with the applicants for invalidation. As I have highlighted throughout this decision, the evidence is inconclusive and raises almost as many questions as it answers. At the end of what has been a rather difficult consideration of the facts, I do not consider that the applicants for invalidation have discharged their burden. The applications accordingly fail.

16. The hearing officer then turned to consider the objection under section 60 and dealt with it as follows:

[74] Given my findings under Section 3(6), whereby I have concluded that it has not been proven that the registered proprietors were, at any time, and particularly at the time of making the applications to register the disputed trade marks, acting as agent for the applicants for invalidation, it must follow that this ground cannot be sustained and is dismissed accordingly.

Standard of review

17. This appeal is a review of the hearing officer's decision. Counsel for the applicants accepted that the hearing officer's decision involved assessments of

the kind to which the approach set out by Robert Walker LJ in *REEF Trade Mark* [2002] EWCA Civ 763, [2003] RPC 5 at [28] applied:

In such circumstances an appellate court should in my view show a real reluctance, but not the very highest degree of reluctance, to interfere in the absence of a distinct and material error of principle.

A decision does not contain an error of principle merely because it could have been better expressed.

Grounds of appeal

18. The applicants contend that the hearing officer made four errors of principle. First, he applied an incorrect standard of proof: the correct standard of proof was the balance of probabilities, but he rejected that and applied a higher standard. Secondly, he wrongly proceeded on the basis that he was not permitted to draw any inferences at all. Thirdly, he wrongly speculated as to the existence of a factual scenario which neither side had contended for. Fourthly, he failed to stand back and consider the evidence as a whole.
19. In my judgment there is substance in the first and second of these complaints although not the third. The key point, however, is the fourth one. The fundamental problem with the hearing officer's decision is that it does not contain any clear findings of fact based on the hearing officer's assessment of the evidence.

The correct approach

20. In the circumstances it is worth setting out what I consider to be the correct approach in a case such as the present where the principal dispute between the parties is one of fact.

The burden of proof

21. The hearing officer rightly observed that the burden of proof lay on the applicants. He went on to decide that, not that the applicants were either right or wrong, but that they had failed to discharge the burden of proof. This is a case, however, in which each side has a clear case on the central issue: the applicants contend that the proprietor was their agent or distributor while the proprietor contends that the converse is true. In such circumstances the fact-finding tribunal should strive to decide what the correct version of events is (which is not to say that the tribunal is confined to the versions advanced by the parties). In civil proceedings a tribunal should only decide a disputed issue purely on the basis that the party bearing the burden of proof has not discharged that burden in exceptional circumstances, that is to say, where it cannot reasonably make a finding in relation to that issue despite having striven to do so: see *Stevens v Cannon* [2005] EWCA 222 at [46].

The standard of proof

22. The standard of proof in civil litigation such as this is the balance of probabilities. It is well-established that, the more serious the allegation sought to be proved, the less probable it is and therefore the more cogent the evidence relied upon to support it must be. That does not, mean, however, imposing a higher standard of proof: see *Re H (minors)* [1996] AC 563 at 586.

Cross-examination

23. It is the function of cross-examination to assist the tribunal to resolve conflicts of evidence. I agree with the hearing officer in thinking that cross-examination would have assisted him in the present case. It does not follow, however, that cross-examination is essential in a case where bad faith is alleged or that the tribunal cannot assess evidence or make findings of fact in its absence. Fairness requires that adverse findings should not ordinarily be made against a witness, such as a finding that he has acted in bad faith, without the witness having the charge put to him and being given an opportunity to answer it: see

Allied Pastoral Holdings v Federal Commissioner of Taxation (1983) 44 ALR 607 at 623. It should be borne in mind, however, that in proceedings such as these evidence is served sequentially and that giving a witness a proper opportunity to deal with a point will not necessarily require cross-examination. More importantly, perhaps, if the opportunity for cross-examination is passed up, the consequence is that the tribunal must assess the evidence on that basis rather than refraining from considering the evidence and reaching a conclusion. It is instructive to remember that OHIM and the courts in most civil law jurisdictions consider themselves perfectly well-equipped to make findings that parties have acted in bad faith without the benefit of cross-examination.

The assessment of evidence

24. In a well-known passage in *The Ocean Frost* [1985] 1 Lloyd's Rep 1 at 57 Robert Goff LJ (as he then was) said:

Speaking from own experience, I have found it essential in cases of fraud, when considering the credibility of witnesses, always to test their veracity by reference to the independent facts proved independently of their testimony, in particular by reference to the documents in the case, and also to pay particular regard to their motives and to the overall probabilities. It is frequently very difficult to tell whether a witness is telling the truth or not; and where there is a conflict of evidence such as there was in the present case, reference to the objective facts and documents and documents, to the witnesses' motives, and to the overall probabilities, can be of very great assistance to a Judge in ascertaining the truth.

Thus before addressing the conflicts of evidence the fact-finding tribunal should first consider what is common ground, what is asserted by one party and not contested by the other and vice versa and what is shown by the documentary evidence. Once these matters have been ascertained and put into chronological order, it is frequently much easier to resolve the remaining conflicts. In resolving such conflicts it is of assistance to consider which version of events is the more likely.

Inference

25. In *Davy v Garrett* (1878) 7 Ch D 473 the Court of Appeal held that the plaintiff's statement of claim should be struck out because it was prolix and embarrassing: it was forty-five pages long and, rather than containing a succinct statement of the material facts relied upon by the plaintiff, it comprised many facts which were immaterial and a great deal of evidence including some 30 letters, documents relating to an administration in Russia and a balance sheet all of which were set out in full. As a result it was impossible for the defendant to ascertain precisely what the plaintiff was alleging against him.
26. One member of the Court, Thesiger LJ, gave an additional ground for striking out the pleading which he expressed at 489 as follows:

There is another still stronger objection to this statement of claim. The Plaintiffs say that fraud is intended to be alleged, but it contains no charge of fraud. In the Common Law Courts no rule was clearly settled than that fraud must be distinctly alleged and as distinctly proved, and that it was not allowable to leave fraud to be inferred from the facts. It is said that a different rules prevailed in the Court of Chancery. I think that this cannot be correct. It may not be necessary in all cases to use the word 'fraud' – indeed in one of the most ordinary cases it is not necessary. An allegation that the Defendant made to the Plaintiff representations on which he intended the Plaintiff to act, which representations were untrue, and known to the Defendant to be untrue, is sufficient. The word 'fraud' is not used, but two expressions are used pointing at the state of mind of the Defendant – that he intended the representations to be acted, and that he knew them to be untrue. It appears to me that a Plaintiff is bound to shew distinctly that he means to allege fraud. In the present case facts are alleged from which fraud might be inferred, but they are consistent with innocence. They were innocent acts in themselves, and it is not to be presumed that they were done with a fraudulent intention.

27. It can be seen from this passage that, as one would expect in a judgment on an application to strike out a pleading, Thesiger LJ is discussing the requirements for pleading a case of fraud, he is not considering what evidence is required to prove fraud at trial. When Thesiger LJ says "it is not allowable to leave fraud to be inferred from the facts", he means, as he makes clear toward the end of

the passage quoted, that it is not permissible merely to plead facts which are consistent with both fraud and innocence.

28. In *ROYAL ENFIELD Trade Marks* [2002] RPC 24 at [31] Simon Thorley QC sitting as the Appointed Person said:

An allegation that a trade mark has been applied for in bad faith is a serious allegation. It is an allegation of a form of commercial fraud. A plea of fraud should not lightly be made (see Lord Denning MR in *Associated Leisure v Associated Newspapers* [1970] 2 QB 450 at 456) and if made should be distinctly alleged and distinctly proved. It is not permissible to leave fraud to be inferred from the facts (see *Davy v Garrett* (1878) 7 Ch D 473 at 489). In my judgment precisely the same considerations apply to an allegation of bad faith made under section 3(6). It should not be made unless it can be fully and properly pleaded and should not be upheld unless it is distinctly proved and this will rarely be possible by a process of inference.

29. I agree with Mr Thorley that an allegation of bad faith is a serious allegation which must be distinctly alleged and which should not be made unless it can be properly pleaded. I also agree that it must be distinctly proved: as discussed above, the standard of proof is on the balance of probabilities, but cogent evidence is required due to the seriousness of the allegation. It is not enough to prove facts which are also consistent with good faith. I do not believe that Mr Thorley meant to say that inference has no part to play in the proof of bad faith. As with the proof of fraud, it may be necessary and proper to rely upon inference. An example of this is *Ferrero SpA's Trade Marks* [2004] RPC 29.

30. Of course, it depends what one means by “inference”. An “inference” was defined by Street CJ in *Gurnett v Macquarie Stevedoring Co Pty* (1955) 72 WN (NSW) 261 as

a reasonable conclusion drawn as a matter of strict logical deduction from known or assumed facts.

Understood in this way, the drawing of inferences is a key mode of judicial reasoning. It is to be distinguished from mere conjecture or, as Street CJ put it, a guess.

The facts

31. Following the approach set out above, I find that the facts established by the evidence are as follows.

The history of the relationship between the proprietor and the applicants

32. The proprietor was incorporated in January 1997. The proprietor provides engineering consultancy services in the field of masonry repair. It also supplies products for use in accordance with its recommendations. One of its founders was Robert Hall, who remains a director of the company. Mr Hall had previous experience in the field of masonry repair, having worked for Helifix Ltd as sales manager from 1989 to 1996.
33. Helifix Ltd sold helically-shaped wall fixings under various trade marks including HELIBAR. These fixings were made and used in accordance with European Patents Nos 0 171 250 and 0 494 099 belonging to William Henry Ollis and William John Bernard Ollis (“the Patents”). Both Patents designated the United Kingdom and Germany among other countries. Helifix Ltd was the exclusive licensee by these Patents by virtue an agreement dated 26 August 1986. Accordingly, during the first year of its existence the proprietor purchased, or recommended to its customers, helically-shaped wall fixings from Helifix Ltd.
34. Mr Hall says that the proprietor was instrumental in persuading Messrs Ollis to terminate the exclusive licence and indicated to them a desire to obtain helically-shaped wall fixings from other sources. Mr Hall also says that one of the Ollises introduced the proprietor to Gunter Brütt, who at that time owned a manufacturing company in Frankfurt called Thomas GmbH. Mr Hall does not give a date for this, but it would appear from Gunter Brütt’s evidence that this introduction took place prior to 30 June 1997.
35. Mr Hall’s evidence, which is not contradicted the applicants, is that the main business of Thomas GmbH was making aluminium closures for aerosol cans

and perfume bottles and plastic components for the automobile industry. Mr Hall says that at that time Gunter Brütt did not manufacture or sell any goods called BRUTT, nor did he manufacture or sell helically-shaped wire or otherwise trade in the field of masonry repair. Mr Hall says that Gunter Brütt was already in contact with Mr Ollis and that the proprietor assisted him to obtain a suitable licence to manufacture the wire to the proprietor's specification.

36. Mr Hall also says that:

Mr Gunter Brütt was also interested in a joint venture for the purpose of the wider distribution and sale of helical material. We agreed to the joint venture...

The applicants' evidence is that this is correct, but that Gunter Brütt was particularly interested in distribution in England by the proprietor.

37. On 30 June 1997 Brutt Helical Kft (now called Brutt Saver Hungary Kft) was incorporated in Hungary. To begin with Gunter Brütt owned 90% of the shares and András Farkas owned 10% of the shares. András Farkas was appointed as the Managing Director of the company. The company was registered by Heves County Court on 1 September 1997. The registration states that the date on which the company began trading was 30 June 1997.

38. It is common ground between Gunter Brütt and Mr Hall that Brutt Helical Kft was incorporated with a view to the intended joint venture between Gunter Brütt and the proprietor. Gunter Brütt's evidence, which is not contradicted by Mr Hall in his witness statement, is that the proprietor had no part in the incorporation of Brutt Helical Kft or in the choice of the company name:

It was my own decision to call the company BRUTT HELICAL Kft by a name incorporating my family name BRUTT.

39. Daniela Brütt is Gunter Brütt's daughter and a director of, and shareholder in, Brutt Beteiligungsgesellschaft mbH, Brutt Saver Germany GbmH (formerly

Brutt Helical GmbH) and various other companies in the Brutt Group. She explains in her evidence that, in view of the international business activities of the companies in the Group, she and her relatives, who include her brother Alexander Brütt, generally prefer to use the English version of their name i.e. Brutt. It is the English version of the name which is used in the names of the Brutt Group companies. (In this decision I have used the German spelling to distinguish the family members from the companies.)

40. Daniela Brütt says that she believes that Brutt Helical Kft began to distribute advertising materials and sales literature bearing the trade mark BRUTT shortly after its formation, but she does not exhibit any examples.
41. On 22 July 1997 Brutt Helical Ltd (now called Brutt Saver UK Ltd) was incorporated in England and Wales. Apart from the facts that it was incorporated on this date and that the Brütt family own a majority shareholding in it there is no evidence about this company.
42. Gunter Brütt says that Brutt Helical Kft began trading on 30 June 1997, but he also says later in the same statement that it was “actively trading from 18 September 1997”. Consistently with this, the earliest sale or supply of which he gives evidence is of 200 HELIBARS to the proprietor under an invoice from Brutt Helical Kft to the proprietor dated 18 September 1997. He also exhibits an invoice from Brutt Helical Kft to the proprietor dated 10 November 1997 relating to the supply of 78 nails as samples. He also exhibits a ledger showing deliveries of unspecified products from Brutt Helical Kft to the proprietor on 27 October 1997, 10 January 1998, 14 April 1998, 15 April 1998 and 20 April 1998 as well as later dates.
43. Daniela Brütt’s evidence is that sales of products bearing the trade mark BRUTT by Brutt Helical Kft began in September 1997, but she gives no details of such sales.
44. In a statutory declaration made by Robert Hall on 14 October 2002 in connection with oppositions by Brutt Saver Germany GmbH to three

Community trade mark applications by the proprietor and in another statutory declaration made by him on 2 September 2003 in connection with an application by Brutt Saver Germany GmbH for a declaration of invalidity of a Community trade mark registered by the proprietor, Mr Hall gives the following account of the adoption of the Marks by the proprietor:

During September 1997, I attended a meeting at Gunter Brütt's Frankfurt based manufacturing company, Thomas GmbH. During an evening discussion in a hotel, Barry Winson, a fellow Director of Target, Scott Burns, a potential Canadian distributor, and I were discussing the naming of new products that we could launch. The three of us devised the products [sic] names of RETRO FLEX, RESI FLEX, DRI FLEX for remedial ties. For the 'nail' product we discussed the marks BRUTT FAST and SKEW FAST. The only remaining products to be named were the reinforcing products that were not used in Canada at that time. For the long length of stainless steel reinforcing material, we felt that BRUTT BAR would reflect its use, strength and description. After coining the name BRUTT BAR, it was logical that the cementitious bonding agent should show a strong connection with the base material and hence we coined the name BRUTT BOND. The name of BRUTT HELICAL was coined as a 'system' of repair. The name does not relate to the individual product, but to the overall repair methods.

45. Gunter Brütt does not dispute that there was a meeting in September 1997. His evidence with regard to the adoption of the Marks is as follows:

Target were not, therefore, the originators of the brand BRUTT. It was already in existence. All they did was to add the words "bar" and "bond" to an already existing name. ... I can confirm that I agreed to Target's use of BRUTT BAR for a bar delivered by BH Kft to Target. I agreed to the use of BRUTT BOND by Target for a bonding mortar. I also agreed to use of the company name BRUTT HELICAL with the system distributed by BH Kft.

46. It is thus common ground that the proprietor coined the marks BRUTT BAR and BRUTT BOND by adding the words BAR and BOND to the English version of the Brütt family name and that Gunter Brütt consented to the proprietor using these marks. Although Mr Hall suggests in his statutory declarations that the proprietor also coined the mark BRUTT HELICAL in the same way, as noted above in his witness statement in these proceedings he

does not dispute Gunter Brütt's evidence that the mark BRUTT HELICAL was coined by Gunter Brütt as the name of the company Brutt Helical Kft.

47. The applicants have adduced evidence in the form of a letter, as opposed to a witness statement, from Martinné Piroska of Geo '96 Trade and Service Ltd who says:

We are the Hungarian distributors of BRUTT trade mark products on behalf of the Brutt Group of companies. We have been distributors of BRUTT goods in this territory since of year 1997.

We obtain BRUTT products from Brutt Saver Hungary Kft...

We have always understood that the trade mark BRUTT and marks incorporating that term are the property of the Brutt Group of companies...

Ms Piroska does not give any details of sales of BRUTT products. Similarly worded letters are in evidence from Miroslav Břenek of Palas Trade Ostrava spol. s r.o. (Czech (Moravia) distributor since 1998), Ivan Vrablic (Slovak distributor since 1999), Gotthold Keilberg of Rubersteinwerk GmbH (German and Austrian distributor since 1 June 2000), Zdeněk Hofman (Czech (Bohemia) distributor since 2001) and Michael Cannon of Helical Systems Ltd (British distributor since September 2001).

48. Mr Buerhlen exhibits a Hungarian company search which shows that Brutt Helical Kft reported a nil sales turnover and a loss of 669 Hungarian forints for the year ended 31 December 1997. It therefore appears that Brutt Helical Kft's sales down to that date were negligible, but there is no dispute that it made substantial sales in 1998 and subsequent years.
49. It is common ground that Brutt Helical Kft did not manufacture the goods which it supplied. Instead these were manufactured by two Hungarian companies owned by Gunter Brütt, Plastmontier Kft and Napro Kft. Gunter Brütt's evidence is that Plastmontier Kft had existed for many years before the collaboration with the proprietor began, which implies that Napro Kft was set

up for the purpose. This is consistent with Mr Hall's evidence that the name Napro was derived from Nagel (German for nail) Production.

50. Mr Hall's evidence, which is not contradicted by the applicants, is that the proprietor supplied wire and tube as raw material to Plastmontier Kft and Napro Kft which made it into finished products. In support of this Mr Hall exhibits a few invoices from the proprietor to Plastmontier Kft dated 17 September 1997, 12 December 1997, 11 February 1998 and 11 May 1998 in respect of sales of wire and tube.
51. Furthermore, Mr Hall's evidence, which is again not contradicted by the applicants, is that the cementitious bonding agent sold by the proprietor under the mark BRUTT BOND was developed in Wales by Rotafix Ltd on the instructions, and to the specification, of the proprietor in late 1997.
52. By a letter dated 18 December 1997 from the Ollises to Helifix Ltd, the Ollises purported to terminate the exclusivity of Helifix Ltd's licence under the Patents. It appears that Helifix Ltd subsequently disputed this termination, but by an agreement dated 16 October 2000 it was agreed between the Ollises and Helifix Ltd that the licence would be deemed to be non-exclusive as from 18 December 1997. This supports Mr Hall's evidence that the proprietor was in a position to obtain helical fixings from other sources from December 1997.
53. It is common ground that Brutt Helical Kft received technical assistance from the proprietor and/or someone associated with the proprietor, namely Mr Hall's brother David Hall. By a consultancy agreement between David Hall and Brutt Helical Kft dated 23 February 1998 David Hall agreed to provide various services to Brutt Helical Kft including testing, quality checking, advising on tooling requirements and design, site trials and designing and producing standard details.
54. Mr Hall's evidence is that the proprietor made its first sales of products under the Marks in February 1998. He exhibits to his statutory declarations an invoice dated 16 February 1998 evidencing sales of BRUTT BOND

cementitious grout and BRUTT HELICAL stainless steel helical bar. He also exhibits a copy of a leaflet which he says was created on 9 February 1998 and last modified on 23 April 2001. This is headed “Brutt Helical® - Brutt Bar®” and states:

Brutt Bar from Brutt Helical is a Grade 304 (or Grade 316 for exceptional requirements) austenitic stainless steel reinforcing material that has many unique properties.

55. Mr Hall also exhibits to his statutory declarations a booklet which he says that the proprietor had printed in May 1998. The cover of this booklet is headed “Brutt Helical”. It also bears the proprietor’s name and address on what may be two adhesive labels although it is difficult to be sure from the quality of the photocopy exhibited. The booklet describes a number of products each of which is prefixed by the words “Brutt Helical” e.g. “Brutt Helical Brutt Bar” and “Brutt Helical Dri Flex”.
56. Similarly, Mr Hall exhibits to his witness statement in these proceedings product literature describing products supplied by the proprietor which he says he himself wrote and drew in late 1997 and subsequently updated. The format of this literature suggests that it was intended for downloading from a website. As Mr Hall points out, this literature is clearly intended for use in the UK since it includes a wind exposure chart for the UK, references to BSI (British Standards Institute) and BRE (Building Research Establishment) materials and references to tests conducted by the University of Bath. The literature describes the following products: BRUTT FAST, SKEW FAST, DRI FLEX, RETRO FLEX, RESI FLEX, CEMEN FLEX, CEM FLEX, BOW FLEX, BRUTT BAR, HELICALE PILE, BRUTT BOND and BRUTT HELICAL POLYESTER RESIN.
57. I note that this literature includes the following statements:

By using the Brutt Helical Skew Fast insulation fixings to fix the counterbattens ...

The Dri Flex Tie should then be installed into the far leaf and a test performed using the Brutt Helical Load Test Unit. ... In general terms the fixing densities for Brutt Helical Dri Flex remedial wall ties would be the same as new build...

The Retro Flex system of wall tie replacement is available in three different diameters of 6mm, 8mm & 10mm. It offers the advantages of a non-expanding mechanical fixing on the far leaf and a mortar fixing on the near leaf. Proof testing of the far leaf using a Brutt Helical Universal Test Unit can be performed randomly as installation proceeds. ... In general terms the fixing densities for Brutt Helical Retro Flex remedial wall ties would be the same as new build... The near leaf fixing can be achieved by the use of Brutt Helical Polyester Resin or Brutt Bond Cementitious Grout. ...

The Resi Flex system of wall tie replacement is available in 4.5mm diameter. It offers the advantages of a non-expanding resin fix on both near and far leaf.... Proof testing of the far leaf using a Brutt Helical Universal Test Unit can be performed randomly as installation proceeds. ... In general terms the fixing densities for Brutt Helical Resi Flex remedial wall ties would be the same as new build... The fixing in both leafs [sic] may also be achieved by the use of Brutt Helical Brutt Bond XL cementitious grout. ...

The Cemen Flex system of wall tie replacement is available in 8mm diameter. It offers the advantages of a contained cement grout fixing on the far leaf and a cement grout fixing on the near leaf. Proof testing of the far leaf using a Brutt Helical Universal Test Unit can be performed randomly 24 hours after installation. ... In general terms the fixing densities for Brutt Helical Cemen Flex remedial wall ties would be the same as new build...

The Brutt Helical Bow Flex Tie uses the same principles as this proven, but unsightly, method of restraint for bowing walls. ... A proof test of the connection can be made immediately after installation using the Brutt Helical Universal Test Unit....

Brutt Bar from Brutt Helical is a Grade 304, or Grade 316 for exceptional requirements, austenitic stainless steel reinforcing material that has many unique properties....

The Target Fixing Helical Pile is installed using lightweight driving equipment and transmits the induced loads via the wedge-shaped fins at an angle into the surrounding substrate. ... Used in combination with the Brutt Helical Beaming system the Helical Pile is used as a standard pile and beam repair method. ...

Brutt Bond XL ... is designed for use with the other Brutt Helical products Brutt Bar, Cem Flex, and Retro Flex as a bonding agent.

58. It is common ground that the proprietor supplied goods to Brutt Helical Kft as well as vice versa. Thus Mr Hall exhibits invoices from the proprietor to Brutt Helical Kft dated 13 March 1998, 16 March 1998 and 8 June 1988 evidencing the sale of various products and in particular BRUTT BOND.
59. By an agreement to amend the memorandum of association of Brutt Helical Kft dated 4 May 1988 Target Group Holdings Ltd (“TGH”), the proprietor’s parent company, acquired a 50% shareholding in Brutt Helical Kft. As a result Brutt Helical Kft became jointly owned by Gunter Brütt and by TGH. It is common ground that this formalised the joint venture between the parties. There is a dispute as to the financial arrangements envisaged by the parties, but for present purposes I do not think that the details of this matter.
60. In his statutory declarations Mr Hall states that:

To the best of my knowledge and belief Brutt Helical Kft did not trade until after Target Group Holdings Limited purchased a 50% shareholding.

It is clear from the evidence referred to above that Mr Hall is wrong when he says that Brutt Helical Kft did not trade until after TGH acquired its shareholding, although this does not necessarily mean that Mr Hall was being deliberately untruthful when he made this statement.

61. On 23 December 1998 Brutt Beteiligungsgesellschaft mbH was incorporated in Germany. In addition to Daniela Brütt, Gunter Brütt is a shareholder in this company. Apart from these facts there is no evidence about this company.
62. It is common ground that the proprietor provided the Brutt Group companies with marketing support. In particular, Mr Hall exhibits to his statutory declarations an invoice from Visual Image dated 13 January 1999 in the sum of £1473.45 for “design, repro to film, print 5000 off” of “BRUTT HELICAL – German Language 2 Page DL Colour Brochure”. Mr Hall says that this brochure was produced for an exhibition called Bau which the proprietor exhibited at in Munich in January 1999. The applicants’ evidence includes an

invoice from the proprietor to Brutt Helical Kft dated 19 February 1999 in precisely the same amount for “design, repro, and printed 5000 product brochures”. There is also another invoice from the proprietor to Brutt Helical Kft of the same date in the sum of £842.13 for “Brutt Helical catalogue entry for Bau99”. It is therefore clear that these costs were borne by Brutt Helical Kft rather than by the proprietor, a point which Mr Hall fails to mention in his statutory declarations.

63. On 31 March 1999 Brutt Helical GmbH (now called Brutt Saver Germany GmbH) was incorporated in Germany and registered in the commercial register of the Hanau District Court. Daniela Brütt and Alexander Brütt were originally joint managing directors, although Alexander Brütt ceased to be a managing director on 19 September 2000.

64. In his statutory declaration in the OHIM invalidity proceedings Mr Hall states:

It is quite clear that Target coined the name BRUTT before the company Brutt Helical GmbH was set up.

It is clear from his own evidence that Mr Hall goes too far in saying that the proprietor “coined the name BRUTT”, but he would have been correct to say that the proprietor was using the Marks before Brutt Helical GmbH was set up.

65. Mr Hall says that Brutt Helical GmbH was founded:

... to continue the expansion of the agency and distribution of Target’s BRUTT HELICAL range of products.

In support of this statement Mr Hall relies upon some documents from early 2000 which I will consider below.

66. The applicants’ evidence includes a number of invoices from Brutt Helical GmbH to various customers in Greece, Denmark, France and the UK (namely Helical Systems Ltd) as well as Germany dating from 28 July 1999 to 4

November 2002 evidencing sales of products including CEM FLEX, SKEW FAST, RETRO FLEX, BRUTT BAR, BRUTT BOND and DRI FLEX.

67. The applicants' evidence exhibits an invoice from TechMedia to Brutt Helical GmbH dated 15 July 1999 for creating 23 pages for the Brutt Helical GmbH website. These pages appear to have been created in May 1999. They are in English and are substantially copied from the proprietor's literature described above although they also include additional illustrations. They advertise the following products: BOW FLEX, CEM FLEX, SKEW FAST, RETRO FLEX, BRUTT FAST, BRUTT BAR, BRUTT BOND, DRI FLEX and HELICAL PILE. The pages also include a contacts page giving the names and addresses of (*inter alia*) Brutt Helical GmbH in Germany, the proprietor in England, Blok-Lok Ltd in Canada and Geo '96 Trade and Service Co in Hungary.
68. The applicants' evidence also exhibits a brochure in German issued by Brutt Helical GmbH which advertises the following products: BOW FLEX, CEM FLEX, RETRO FLEX, BRUTT BAR, BRUTT BOND and DRI FLEX. There is no evidence as to the date of this brochure.
69. On 11 August 1999 Brutt Helical BV was incorporated in the Netherlands. On 16 September 1999 Brutt Helical SA was incorporated in Spain. Apart from the facts that they were incorporated on these dates and that the Brütt family own majority shareholdings in them, there is no evidence about these companies.
70. Mr Hall exhibits to his witness statement some correspondence which he says illustrates how customers were introduced to Brutt Helical Kft as an agent or distributor of the proprietor. In fact these documents, which are dated from 31 August 1999 to 7 December 1999, show the support provided by the proprietor to Brutt Helical GmbH in gaining a contract for the supply and installation of BRUTT BARS and HELICAL PILES at premises at Spitzenberg 21 & 23, 91555 Feuchtenwangen which it appears were owned by Mr and Mrs Metzner. It appears that the architect or main contractor responsible for the premises was Mrs Hezel. The documents show that Mr Hall designed the repair solution

and discussed pricing with Brutt Helical GmbH on the basis that the installation would be carried by Pavel Kulesa of PCP.

71. On 22 October 1999 Mr Hall sent Mrs Hezel a fax stating *inter alia*:

I have managed to bring the installation costs down on the original pricing that was quoted to you. If our German branch can use the building for publicity by taking photographs before, during and after installation, and if you could write a letter with your opinions of our design, installation and techniques we can do the repairs for the following amounts [quoting prices in DM].

72. On 2 November 1999 Mr Hall sent a fax to Alexander Brütt at Thomas GmbH stating *inter alia*:

The plan is that Brutt Helical GmbH will sell [the materials] to PCP (Pavel Kulesa). PCP will perform the works and have a contract with the householder.

We need a letter, in German, ‘to whom it may concern’ from Brutt Helical stating:

1. there is no other approved installer in Germany for BH products,
2. approved installer status takes time to obtain because supervision of several jobs is required after full training,
3. there is no German based installer who has the experience to install BH products,
4. PCP has 15 months experience in installing BH products especially in historic buildings in Prague....

In context, it appears that “Brutt Helical” and “BH” in the second paragraph quoted refer to Brutt Helical Kft. It seems probable that PCP obtained the BH products which it installed in Prague from Brutt Helical Kft’s Czech distributor.

73. On 16 November 1999 Mr Hall sent a fax to Brutt Helical GmbH for translation and transmission to Mrs Hezel saying that he understood that she wanted the job done by Christmas, that Pavel Kulesa was having a problem finding a date for the installation and that he had spoken with “one of our UK-based Approved Installers ... Preservation Plus Ltd” who could do the work.

74. Plastmontier Kft was dissolved in November 1999. Napro Kft continued to produce the helical bars and nails after this.
75. On 5 January 2000 Alexander Brütt sent a fax to Wendy Winson, Barry Winson and Mr Hall of the proprietor commenting on a number of points including the following:

1.2 Commission

Brutt Helical GmbH shall receive a commission for Brutt Helical products from Target of about 30% of the sales and for the invoiced work or other products a commission of 20%.

1.3 Market procedures

You are open to step on the German and French market at any time and Vivianne will push also from this side as we now agreed that Brutt Helical GmbH can work as an agent for you until some products of Brutt Helical GmbH can be registered in Germany. ...

1.4 Price lists

Viviane worked out the price lists for Germany, France and Spain. We have to review them together and will do this next week because she is still on vacation this week. As soon as they are approved we will send you a full copy.

As we are going to start with higher prices than our international prices because we are stepping into new markets where the products are unknown and we feel that those markets are able to stand a higher prices we do not see any problems with the commissions we asked for....

As labour costs are very expensive in France and Germany and as these are the biggest factor in every building project and Brutt Helical's product range it is first of all also saving a lot of construction work that means labour costs, so we feel prices would stand in the market.

...

12. Registration of Brutt Helical products in Germany

...

Our plan is to get the Brutt Helical Bar registered as reinforcement material ...

...

15. Helical Pile

Target should prepare as soon as possible an agreement between Target and Brutt Helical KFT or GmbH or etc for the licence and also marketing structure. It is also necessary to get some documentation of product information, how to use it, who should use it, how to market it, price structure, distributor price list and user price list with all necessary tools and test equipments.

...

19. Agent agreement Brutt Helical GmbH

Target should prepare as soon as possible an agent agreement for Brutt Helical GmbH to present Target in the German and French market.

76. On 10 January 2000 Mr Hall sent Brutt Helical GmbH a fax for the attention of Alexander Brütt in which he said:

From our November meeting I understood that BH GmbH was unwilling to supply any material directly in Germany unless it is accepted in the German Codes. Does this mean that Target will invoice a Distributor at a discounted price in Germany? This needs discussing and agreeing before your meeting as per your item 1.3 in your 05.01.00 fax.

...

I am a little confused about the details that you request for the distribution of the Helical Pile. I enclose the product and test information and a relevant price list that you may find useful. The rest of the information you request should be known by a good distribution company within the industry.

A proposed 'Agency Agreement' is enclosed. Your comments would be most welcome.

77. Mr Hall exhibits a draft agreement between the proprietor and Brutt Helical GmbH in which the proprietor is described as "Principal" and Brutt Helical GmbH as "Agent". This draft agreement is clearly an agency agreement since it provides *inter alia* that the Agent will use its best endeavours to promote the full Brutt Helical range of products in Germany and France and that the Principal will invoice products in local currency with the Agent receiving a commission of 5% of the gross sales price. It therefore appears that this is the agreement which was enclosed with the fax dated 10 January 2000.

78. The applicants' evidence is that the reason why such an agreement was considered is that in Germany building materials must be approved by the DIBT (Deutsches Institut für Bautechnik) in order to be freely sold and Brutt Helical GmbH did not have the appropriate approvals. Accordingly the agency agreement was proposed to enable Brutt Helical GmbH to sell building materials which were approved in another EC member state until it had the appropriate approvals. The applicants say that the draft agreement did not represent the true economic relationship between the parties.
79. Neither side explains why the draft agreement was not executed, but it may be because tensions had started to emerge in the relationship.
80. In May 2000 Napro Kft changed its name to Brutt Helical System Kft.
81. On 29 June 2000 the proprietor applied to register the Marks. It is common ground that the proprietor did this without the applicants' knowledge or consent. Gunter Brütt suggests in his evidence that the timing of the applications is suspicious. I note that Mr Hall gives no explanation for it in his evidence.
82. Mr Hall exhibits a fax from TGH to Brutt Helical Kft which it appears was sent prior to a meeting on 4 July 2000. Mr Hall says that the letter explains the reasons why TGH withdrew from the joint venture. It includes the following statements:

We have some concerns over the way that Brutt Helical Kft is now set-up and being operated. This appears to run contrary with what we understood was agreed initially. Our understanding was that Gunter Brutt was not interested in the sales operation and only wanted to manufacture. We have never been interested in the manufacturing and only wanted to be involved in the marketing, sales and engineering of the manufactured products.

To this end it was agreed that Gunter would manufacture all the materials through Napro and Plasttool, and not be involved in sales and we would look after the sales and marketing, through Target, and not get involved in manufacturing. To facilitate this agreement BH Kft was formed as a partnership between Target Group and Gunter Brutt and to

act as a middleman. BH was to take a small percentage profit on materials bought from Napro and Plasttool and was responsible for invoicing materials against orders placed from all around the World. In this way there would be an eventual profit made by BH wherever the material was sold in the World.

As we then understood the situation, Gunter then went off and developed the manufacturing that would be 'better, faster and more economical' than the material had ever been produced before. We introduced distributors in Hungary, Czech, Canada/USA and, of course, the UK. We also introduced Honza Fiala to Gunter.

BH was the formalisation of the partnership between two totally separate concerns owned and operated by independent people. We understood that it was never intended that BH should carry stocks and own equipment – it was merely there to act as a revenue buffer when materials were supplied throughout the rest of the World. This revenue was to pay for 'Engineering Support', testing and marketing.

It has become obvious from the accounts received from Andras Farkas that this is not the way that the business is operating.

The fax then goes on to raise a series of concerns about the accounts.

83. On 1 August 2000 there was a meeting of the shareholders of Brutt Helical Kft. The minutes of the meeting dated 11 September 2000, which appear to have been signed by Wendy Winson on behalf of Target Group Holdings Ltd, record that Daniela Brütt, Alexander Brütt and András Farkas "as shareholders of the Brutt Helical System Kft" agreed to purchase TGH's shareholding in Brutt Helical Kft. It also records that the shareholders in Brutt Helical System Kft agreed to purchase Gunter Brütt's shareholding.

84. On 11 October 2000 Mr Hall sent a fax to Brutt Helical Kft for the attention of Alexander Brütt in which he stated:

As we are no longer a 50% shareholder of Brutt Helical Kft we are removing any permissions to use Target's Intellectual Property (drawings, translated text and photographs) forthwith. The areas most affected are the 12 page booklet, all of Target's products literature and your web site.

We hereby give you 2 weeks notice to discontinue use and distribution of any of our Intellectual Property. Please confirm that you will comply with this notice.

Counsel for the applicants argued that it was significant that Mr Hall had not mentioned the Marks and that this indicated that he did not believe that they were his company's intellectual property. In my judgment no such inference can safely be drawn since the Marks were not registered at the date of this fax.

85. In March 2001 Brutt Helical System Kft (formerly Napro Kft) merged with Brutt Helical Kft. Brutt Helical Kft changed its name to Brutt Saver Hungary Kft in September 2001. In May 2001 Brutt Helical GmbH changed its name to Brutt Technologies GmbH. In August 2001 it changed its name again to Brutt Saver Germany GmbH.

The nature of the relationship between the proprietor and the applicants

86. The foregoing survey of the history of the relationship between the parties enables me to reach the following conclusions with regard to the nature of that relationship during the period between 30 June 1997 and 1 August 2000.
87. First, it is common ground on the evidence that the relationship between the proprietor on the one hand and Gunter Brütt on the other hand was that of a joint venture (as Mr Hall three times describes it in his witness statement) or partnership (as Mr Hall twice describes it in the fax quoted in paragraph 82 above). The vehicle for the joint venture or partnership was Brutt Helical Kft which from 4 May 1998 to 1 August 2000 was jointly owned by TGH and Gunter Brütt.
88. Secondly, it is also common ground on the evidence that Gunter Brütt through his companies Plastmontier Kft and Napro Kft was responsible for manufacturing the products while the proprietor was responsible for marketing, sales and technical support.

89. Thirdly, it is also common ground on the evidence that, although the products were manufactured by Plastmontier Kft and Napro Kft, they were generally purchased from Plastmontier Kft and Napro Kft by Brutt Helical Kft for onward supply. In effect, therefore, Plastmontier Kft and Napro Kft acted as subcontractors to Brutt Helical Kft.
90. Fourthly, it seems clear that the products were specified by the proprietor rather than by Gunter Brütt, and that it was the proprietor who originally possessed the technical know-how regarding their use. Nevertheless Plastmontier Kft and Napro Kft were not mere contract manufacturers acting on behalf of Target, still less was Brutt Helical Kft. Thus it is evident from the fax quoted in paragraph 82 above that Gunter Brütt was free to develop the manufacturing operation in whatever manner he thought best.
91. Fifthly, I consider the proprietor can accurately be described as having been the UK distributor of products supplied by Brutt Helical Kft. Thus when Mr Hall states in the fax quoted in paragraph 82 above that “We introduced distributors in Hungary, Czech, Canada/USA and, of course, the UK” I take him to mean that the UK distributor was the proprietor. Furthermore, the proprietor’s marketing literature referred to in paragraphs 54 to 57 above presents the products with one exception as emanating “from Brutt Helical” i.e. Brutt Helical Kft. (The exception is the Helical Pile which is presented as emanating from the proprietor. It appears from Mr Hall’s evidence that the reason for this is that it is protected by a registered design and patents owned by the proprietor.) Still further, it is clear from the letters referred to in paragraph 47 above, the webpage referred to in paragraph 67 above, the fax quoted in paragraph 72 above and the fax quoted in paragraph 82 above that Brutt Helical Kft also had a number of other distributors in other countries. In Germany Brutt Helical GmbH may have acted as the proprietor’s agent, but if so it is probable that this was regarded as a temporary measure pending approval of the products by the DIBT. (Again, the Helical Pile stood in a different position to the other products and for the same reason.) Furthermore, in the fax referred to in paragraph 72 above Mr Hall requested a letter of authorisation for the contractor from Brutt Helical Kft for use in Germany.

Section 3(6)

The law

93. The law regarding bad faith was recently reviewed by Professor Ruth Annand sitting as the Appointed Person in *AJIT WEEKLY Trade Mark* [2006] RPC 25. She held as follows:

[35] ... Bad faith is to be judged according to the combined test of dishonesty for accessory liability to breach of trust set out by the majority of the House of Lords in *Twinsectra Ltd v Yardley* [2002] 2 AC 164, with *Gromax Plastics Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 providing the appropriate standard, namely acceptable commercial behaviour observed by reasonable and experienced persons in the particular commercial area being examined.

...

[41] ... the upshot of the Privy Council decision in *Barlow Clowes* is: (a) to confirm the House of Lords' test for dishonesty applied in *Twinsectra*, i.e. the combined test [footnote omitted]; and (b) to resolve any ambiguity in the majority of their Lordships' statement of that test by making it clear that an enquiry into a defendant's views as regards normal standard of honesty is not part of the test. The subjective element of the test means that the tribunal must ascertain what the defendant knew about the transaction or other matters in question. It must then be decided whether in the light of that knowledge, the defendant's conduct is dishonest judged by ordinary standard of honest people, the defendant's own standards of honesty being irrelevant to the objective element....

...

[44] In view of the above and in particular the further clarification of the combined test given by the Privy Council in *Barlow Clowes*, I reject Mr Malynicz's contention that the Hearing Officer erred in failing to consider the registered proprietor's opinions on whether its conduct in applying for the mark fell below ordinary standard of acceptable commercial behaviour.

94. There was no dispute before me as to the correctness of Professor Annand's analysis. I would add three comments. First, this analysis deals with some of the problems with the reasoning of the Court of Appeal in *Harrison v Teton Valley Trading Co Ltd* [2004] EWCA Civ, [2004] 1 WLR 2577 which I identified in *Robert McBride Ltd's Application* [2005] ETMR 85 at [27]-[31].

Secondly, I do not consider that the correctness of this analysis is called into question by the recent decision of the Court of Appeal in *Abou-Rahmah v Abacha* [2006] EWCA Civ 1492. Thirdly, I consider that there is little difference between Professor Annand's exposition of the law and that given by First Cancellation Division of OHIM in *DAAWAT Trade Mark* (Case C000659037/1, 28 June 2004) at [8] and *GERSON Trade Mark* Case C00066563/1, 29 July 2004) at [13]:

8. Neither the CTMR nor the IR provide any guidance on what acts constitute bad faith. The term bad faith is not defined in Community trade mark law. OHIM has published some guidance on its interpretation of bad faith in view of the EU enlargement and has stated among others that bad faith can be considered to mean 'dishonesty which would fall short of the standards of acceptable behaviour'. This definition for bad faith was used in the United Kingdom (*Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367) (see OHIM Bad Faith Case Study 31/01/2003...). In its case law the Cancellation Division has held that bad faith is the opposite of good faith, generally implying or involving, but not limited to, actual or constructive fraud, or a design to mislead or deceive another, or any other sinister motive. Conceptually bad faith can be understood as a 'dishonest intention'. This means that bad faith may be interpreted as unfair practices involving lack of any honest intention on the part of the applicant of the CTM at the time of filing. Bad faith can be understood either as unfair practices involving lack of good faith on the part of the applicant towards the office at the time of filing, or unfair practices based on acts infringing a third person's rights. There is bad faith not only in cases where the applicant intentionally submits wrong or misleading by insufficient information to the office, but also in circumstances where he intends, through registration, to lay his hands on the trade mark of a third party with whom he had contractual or pre-contractual relations (see the Cancellation Division's decision in *BE NATURAL* of 25/10/2000, C000479899/1, at Nos. 10-11).

95. The relevant date for assessing whether an application to register a trade mark was made in bad faith is the application date: *HOTPICKS Trade Mark* [2004] EWHC 689 (Ch), [2004] RPC 2.

Application to the facts

96. The proprietor applied to register the Marks on 29 June 2000. In my judgment the proprietor's action in applying to register the Marks fell short of the

standards of acceptable commercial behaviour observed by reasonable and experienced businessmen for the following reasons, which are cumulative.

97. First, at that date the proprietor was engaged in a joint venture with Gunter Brütt to manufacture and market products for masonry repair using the vehicle of the jointly-owned company Brutt Helical Kft. These products were marketed under trade marks which included the Marks. Two of the Marks reflected the name of Brutt Helical Kft which had been chosen by Gunter Brütt and, although the other two were coined by the proprietor, they were also derived from the Brütt family name and hence reflected the name of the company. The proprietor itself marketed the products as emanating “from Brutt Helical”. Furthermore, the proprietor was one of a number of distributors of products supplied by Brutt Helical Kft in various countries. The other distributors understood that the Marks belonged to the Brutt Group.
98. Secondly, neither Brutt Helical Kft nor the Brütt family consented to the proprietor applying to register the Marks.
99. Thirdly, the proprietor has given no explanation of the timing of its applications despite the challenge laid down on this point in the applicants’ evidence. It is clear from the fax referred to in paragraph 82 above that by 29 June 2000 the relationship between the parties was in difficulties. The inference is irresistible that the proprietor anticipated that the relationship was likely to come to an end soon.
100. In short, I consider that this is a case of a party seeking to lay its hands on the trade marks of another party with whom it had contractual or quasi-contractual relations. As at 29 June 2000 the party which could properly have applied to register the Marks was Brutt Helical Kft. As a joint owner of that company through its parent TGH the proprietor would have been entitled to share in the benefit of the registrations, but instead TGH chose to sell its shareholding in Brutt Helical Kft. For the proprietor to attempt to monopolise the trade under the Marks by registering them in its own name was illegitimate.

Section 60

101. Having regard to my conclusion under section 3(6), it is unnecessary for me to reach a conclusion in relation to section 60. I will therefore confine myself to the following observations. On my findings set out above it seems probable that the proprietor was the “agent or representative” of Brutt Helical Kft as at the application date, particularly given the broad interpretation which has been given to those words by OHIM: see *Promat Ltd v Pasture BV* (Decision 164C/00054844/1, Cancellation Division, 19 December 2002), *Sotorock Holding Ltd v Gordon* (Case R336/2001-2, Board of Appeal, 7 July 2003) and *Sybex Inc v Sybex-Verlag GmbH* (Decision 2486/2004, Opposition Division, 26 July 2004). I am less convinced that the proprietor could be regarded as the “agent or representative” of Brutt Helical GmbH at that date. As to whether Brutt Helical Kft was the “proprietor of the mark in a Convention country”, this might depend on which is the relevant country. The applicants’ best case would appear to be that Brutt Helical Kft was the proprietor of the mark in Hungary, but it is far from clear that this case is open to the applicants on their statement of case which singularly fails to identify the country relied on.

Conclusion

102. The appeal is allowed. I declare that each of the Marks is invalidly registered.

Costs

103. The hearing officer ordered the applicants to pay the proprietor the sum of £3,250 as a contribution to its costs. I will reverse that award. In addition I will order the proprietor to pay the applicants the sum of £1,250 as a contribution to their costs of the appeal.

20 December 2006

RICHARD ARNOLD QC

Benet Brandreth, instructed by Boulton Wade Tennant, appeared for the applicants.

Rowland Buehrlen of Beck Greener appeared for the proprietor.