

O-220-07

**TRADE MARKS ACT 1994**

**IN THE MATTER OF APPLICATION NO. 82152  
BY ANHEUSER-BUSCH INCORPORATED  
FOR A DECLARATION OF INVALIDITY IN RESPECT OF  
TRADE MARK NO. 1389680 IN THE NAME OF  
BUDEJOVICKY BUDVAR, NARODNI PODNIK**

## TRADE MARKS ACT 1994

### IN THE MATTER OF application No. 82152 by Anheuser-Busch Incorporated for a Declaration of Invalidity in respect of trade mark No. 1389680 in the name of Budejovicky Budvar, Narodni Podnik

#### DECISION

1. Trade Mark No. 1389680 is for the mark BUDWEISER and is registered in Class 32 in respect of the following goods:

Beer, ale and porter; malt beverages; all included in Class 32; but not including any such goods for supply to, or sale in, the United States of America's Embassy and PX stores in the United Kingdom.

2. The application proceeded to registration on the basis of honest concurrent use by reason of special circumstances under the provisions of Section 12(2) of the 1938 Trade Marks Act.

3. By an application dated 18 May 2005, Anheuser-Busch, Incorporated applied for the registration to be declared invalid under the provisions of Sections 47(2)(a) of the Act. The application is made on the following grounds:

**1. Under Section 5(1)** because the registration is for a mark that is identical to the applicants' earlier trade mark registration No. 1125449 and covers the identical goods of beer, ale and porter in Class 32.

**2. Under Section 5(2)(b)** because the registration is for a mark that is identical to the applicants' earlier trade mark and in malt beverages covers goods that are similar to those for which the applicants' earlier mark is registered.

The applicants also rely on an earlier registration, No 1125448 for the word BUD, that they say is a similar marks, that is registered in respect of identical and similar goods.

4. The registered proprietors filed a counterstatement in which they refer to an earlier mark for the word BUD in a stylised script that pre-dates the earlier marks relied upon. The registered proprietor also submits that pursuant to the provisions of Section 48(1)(a), the applicants have been aware of, and acquiesced for a continuous period of five years in the use of the registered proprietors' trade mark. They otherwise deny the grounds on which the application is based, in support referring to the decision of the Court of Appeal in *Anheuser-Busch v. Budejovicky Budvar* [2000] RPC 906.

5. The registered proprietor and the applicants for invalidity both ask for an award of costs in their favour.

6. Both sides filed evidence in these proceedings, which, insofar as it may be relevant I have summarised below. The matter came to be heard on 25 July 2006, when the applicants were represented by Mr Michael Bloch of Her Majesty's Counsel, instructed by D Young & Co, their trade mark attorneys. The registered proprietors were represented by Mr James Mellor of Her Majesty's Counsel, instructed by Marks & Clerk, their trade mark attorneys.

### **Applicants' evidence**

7. This consists of an Affidavit dated 13 October 2005, that comes from Richard Robertson, who since 2000 has held the post of Sales Director (UK) of Anheuser-Busch Europe Limited, hereinafter referred to as AB.

8. Mr Robertson confirms that his company has sold beer under the name BUDWEISER in the UK continuously since 1974. He goes on to list sales by volume in hectolitres in the years 1995 to the date of his Affidavit, which are as follows:

<b>Year</b>	<b>Volume of BUDWEISER beer sold in hectolitres</b>
1995	1,120,420
1996	1,226,502
1997	1,359,381
1998	1,445,624
1999	1,372,620
2000	1,320,369
2001	1,376,414
2002	1,425,741
2003	1,459,022
2004	1,484,246
2005 to date	1,504,170

9. Mr Robertson states that these figures cover sales in retail arenas such as the licensed trade, retail off-licenses and supermarkets. He confirms that the BUDWEISER trade mark is always used on the labelling and in any associated promotional activity.

### **Registered Proprietors' evidence**

10. This consists of a Witness Statement dated 6 January 2006, from Jiří Boček, Managing Director of Budejovický Budvar Narodní Podnik Corporation, hereinafter referred to as BBNP. Mr Boček says that he has over 30 years experience in the brewing industry and has held his current position with the registered proprietors since 1991.

11. Mr Boček says that his company periodically sold beer under the trade mark BUDWEISER in the UK from 1973, and that by 1979 sales had reached something in excess of 1 million bottles. He goes on to list sales figures in hectoliters in the years 1995 to 2005 as

follows:

<b>Year</b>	<b>Volume of BUDWEISER beer sold in hectolitres</b>
1995	76,632
1996	79,068
1997	84,129
1998	88,795
1999	83,749
2000	88,636
2001	88,733
2002	88,180
2003	104,616
2004	99,823
2005	94,720

12. Mr Boček states that the BUDWEISER trade mark is always used on the labelling and in any associated promotional activity.

13. Mr Boček refers to the filing of the subject trade mark on 28 June 1989, stating that at no time since that date have the applicants objected to his company's use of BUDWEISER in the UK in relation to any goods for which the mark is registered. He says that this means the applicants have acquiesced for a continuous period of five years.

14. That concludes my review of the evidence insofar as it is relevant to these proceedings.

### **Decision**

15. The application for a Declaration of Invalidity is made under the provisions of Section 47 of the Act, which reads as follows:

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

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

(2) The registration of a trade mark may be declared invalid on the ground -

(a) that there is an earlier trade mark in relation to which the conditions set

out in section 5(1), (2) or (3) obtain, or

(b) that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied,

unless the proprietor of that earlier trade mark or other earlier right has consented to the registration

(2A)\* But the registration of a trade mark may not be declared invalid on the ground that there is an earlier trade mark unless –

(a) the registration procedure for the earlier trade mark was completed within the period of five years ending with the date of the application for the declaration,

(b) the registration procedure for the earlier trade mark was not completed before that date, or

(c) the use conditions are met.

(2B) The use conditions are met if –

(a) within the period of five years ending with the date of the application for the declaration the earlier trade mark has 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, or

(b) it has not been so used, but there are proper reasons for non-use.

(2C) For these purposes –

(a) 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

(b) 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.

(2D) In relation to a Community trade mark, any reference in subsection (2B) or (2C) to the United Kingdom shall be construed as a reference to the European Community.

(2E) Where an earlier trade mark satisfies the use conditions in respect of some only of the goods or services for which it is registered, it shall be treated for the purposes of this section as if it were registered only in respect of those goods or services.”

16. The Transitional Provisions of the 1994 Trade Marks Act clearly state that a trade mark registered under the 1938 Trade Marks Act is to be regarded as an “existing registered mark”, and that any time after the 1994 Act came into force, an application for a declaration of

invalidity could be made in respect of any such registered mark. But before I can go on to consider the grounds on which the current proceedings are based, there are a number of issues raised by the registered proprietors that must be determined.

### **Cause of Action/Issue Estoppel**

17. As stated by Mr Mellor, this is "...yet another battle in the ongoing war..." between these parties. Previous campaigns were decided in the judgement of Whitford J in the passing-off proceedings brought in the Court of Appeal [1984] FSR 413, AB's opposition to BB's application to register BUD in script, and the cross-oppositions to both sides applications to register BUDWEISER decided in the Court of Appeal and reported at [2000] RPC 906.

18. In his submissions, Mr Mellor referred to the *Special Effects* case, [2006] RPC 33 in which the Chancellor held that the registrar in opposition proceedings was a court of competent jurisdiction whose decisions were capable of giving rise to a plea of res judicata. Mr Bloch did not dispute this. The Chancellor's Order is at paragraph 72 of the judgment, the relevant paragraphs being as follows:

"(1) both defendants are precluded by cause of action estoppel and issue estoppel from relying on the allegations made by them in paragraphs 27(1)-(3), 27(5) and 27(6)(a)-(h) of their defence and counterclaim;

(2) both defendants are precluded by issue estoppel from asserting use of the mark SPECIAL FX before 30th June 2000 whether for the purpose of their defence under s.11(3) or their counterclaim for passing off;"

19. Since the hearing, the Court of Appeal has issued its judgment in the appeal against the Chancellor's decision in *Special Effects* [2007] RPC 15, paragraph 71 of the judgement being of particular relevance.

"**71** It seems to us that the co-existence of the provisions for opposition and for a declaration of invalidity has the result that opposition proceedings are inherently not final. They exist at the first stage of the process, before registration. By itself that would not be conclusive, but it seems to us that the fact that, at least, any unconnected third party could challenge the validity of the registration despite an unsuccessful opposition by another, and that, if that challenge were successful, there would be nothing which would bind the unsuccessful opponent (in contrast with the position of a party which had unsuccessfully applied, at any rate to the court, for a declaration of invalidity), shows that the decision of the Registry on opposition proceedings, or more generally a decision to register despite opposition, is not a final decision so as to be capable of being the basis for an issue estoppel. This is true both as regards the grounds of invalidity and as regards the issue of prior use more generally, as relevant to a passing off claim. The same would be true of cause of action estoppel if, contrary to our view expressed above, there was a cause of action at that stage."

20. The Court of Appeal set aside paragraphs 1 and 2 of the Chancellor's order relating to estoppel and abuse of process.

21. As this presented a significant change to the position at the hearing, I provided both parties with copies of the judgment, and gave them the opportunity to make written submissions; both did so. Following the usual process in oral proceedings, the applicants filed reply submissions which cited case law that had not previously been considered. The registered proprietors provided further submissions addressing the new case law, and other matters of interpretation raised in the applicants' reply submissions. The applicants objected to these being admitted. Apart from their comments on the relevance of the case referred to, these "reply" submissions add little or nothing new to these proceedings. Given the unusual circumstances in which I am considering this case, it is useful to have an alternate view on the new case law cited, and I therefore consider both sets of main and reply submissions in reaching my decision.

22. In their "post-hearing" written submissions, Mr Mellor and Mr Bloch accept that the effect of the Court of Appeal decision is that an unsuccessful opponent is not estopped from attacking the mark again through the invalidity provisions. Accepting this to be the case, Mr Mellor reserved the right to argue that the Court of Appeal was wrong.

23. Mr Bloch submitted that whilst, in view of the Court of Appeal's decision, it was no longer necessary for the applicants to try to distinguish the current proceedings from *Special Effects*, they did not withdraw the basis of their original argument that these proceedings are, in any event, different. Mr Bloch stated that he appreciated that in view of the new position, the Tribunal may not consider it necessary to determine the applicants' argument based on the differences in the considerations under the 1938 and 1994 Acts. The Court of Appeal have decided that an unsuccessful opponent is not estopped from bringing an application for invalidity on the same grounds raised in an opposition. There must be even less justification for finding that an unsuccessful opponent under the 1938 Act is estopped from seeking invalidation of a registration that got there under a provision not available under the provisions of a different Act. Added to Mr Mellor's concession, I do not see that there is any purpose in my going on to decide whether there is substance in Mr Bloch's argument. The registered proprietors' defence based on estoppel is accordingly dismissed.

### **Acquiescence**

24. In paragraphs 10 and 11 of the Counterstatement, the registered proprietors mention earlier proceedings involving the parties, initially before Whitford J in the High Court where the applicants had sought an injunction, and subsequently in the Court of Appeal. Citing the decision of Whitford J, and the fact that his decision was upheld by the Court of Appeal, they assert that the application for an injunction is "...the only instance of an objection to the use of the registered proprietor's registered trade mark No. 1389680..." . Although Mr Mellor placed no reliance upon this in his arguments, Mr Bloch addressed the substance of the assertion in his arguments, stating that these paragraphs in the Counterstatement "...are both true and completely misleading.". Mr Bloch said:

"57 It is true that Whitford J. held at first instance in the passing off case that AB had acquiesced in the actions of BB, and it is also true that AB "unsuccessfully appealed the decision of Whitford J. to the Court of Appeal."

58 What is completely misleading is the suggestion that Whitford J. was upheld by the Court of Appeal on the ground on which BB relies. The opposite is the case.”

25. Mr Bloch referred to an extract from the decision of Oliver LJ (page 461, and Dillon LJ at page 473, from which on my reading it is clear that Mr Bloch is correct in saying that the Court of Appeal did not, in fact, uphold Whitford J. to the extent claimed in the Counterstatement.

26. In his submissions Mr Mellor asserted that the applicants had acquiesced to the registered proprietors’ use of BUDWEISER well in excess of the five years stipulated in Section 48, and that quite apart from that section, the non-statutory defence of acquiescence had been clearly established. Mr Mellor’s argument raises the question of whether the acquiescence defence should be considered in accordance with the non-statutory common law doctrines of estoppel or on a plain reading of the Act and the Directive. In the latter respect I have regard to *H P Bulmer Ltd & Another v J Bollinger SA & Others*, 1974 Ch 401 (Court of Appeal), which set out the principles to be applied in interpreting European Regulations and Directives and particularly the ‘purposive’ approach.

27. Section 48 of the Trade Marks Act implements Article 9 of First Council Directive 89/104 approximating the laws of Member States of the European Community relating to trade marks. In the decision in *Royale Stratford Trade Mark*, O-370-04, the Hearing Officer stated that he found it “...hard to conceive that the authors of Article 9 of the Directive, upon which Section 48 is based, had English common law concepts in mind”. Whether or not this is the case, the preamble to the Directive states that a full-scale approximation of the trade mark laws of member states did not appear to be necessary, it being sufficient for the present for the approximation to be limited to national provisions of law that most directly affect the functioning of the internal market. On a plain reading it may well be that Section 48 does not encompass, but nor does it necessarily exclude consideration of English common law.

28. The Hearing Officer in *Royale Stratford* went on to conclude that Section 48 should be determined on a straightforward interpretation of the words contained within it, and that it did not appear necessary or appropriate to import the principles set out in the common law test for acquiescence (See *Dyson Ltd v. Qualtex (UK) Ltd* [2004] EWHC 2981 (Ch)). That there is an Article in the Directive specifically relating to the issue of acquiescence indicates that this to be a circumstance that those engaged in its drafting considered could “directly affect the functioning of the internal market.” Whether or not they turned their minds to any non-statutory remedies contained within national law, the authors of the Directive saw fit to include a statutory provision. As I see it, acquiescence under English common law cannot mean more than Article 9(1) of the Directive. I therefore dismiss the defence claimed based on the non-statutory defence of acquiescence.

29. Turning to the statutory defence found in Section 48 of the Act. That section reads as follows:

“48. - (1) Where the proprietor of an earlier trade mark or other earlier right has acquiesced for continuous period of five years in the use of a registered trade mark in the



United Kingdom, being aware of that use, there shall cease to be any entitlement on the basis of that earlier trade mark or other right-

(a) to apply for a declaration that the registration of the later trade mark is invalid,

or

(b) to oppose the use of the later trade mark in relation to the goods or services in relation to which it has been so used,

unless the registration of the later trade mark was applied for in bad faith.

(2) Where subsection (1) applies, the proprietor of the later trade mark is not entitled to oppose the use of the earlier trade mark or, as the case may be, the exploitation of the earlier right, notwithstanding that the earlier trade mark or right may no longer be invoked against his later trade mark.”

30. Mr Mellor’s argument in relation to Section 48 of the Act (as set out in his skeleton argument) is as follows:

“8. First, the focus of section 48 is not on the register of trade marks, nor on the period which has elapsed since “the date of completion of the registration procedure” (to quote from section 46/Article 10 of the Directive), not least because the date when the registration procedure happens to have been completed is entirely arbitrary in this context.

9. The focus of section 48 is acquiescence in the **use**. In other words, section 48 looks at the market and not to the register.”

31. Mr Bloch argued that the possibility of applying on any basis to declare the registration invalid only arose when it became registered, which happened on 19 May 2000. He further stated that having been filed on 18 May 2005, the application was brought within five years of the date of registration.

32. Sub-section (1) refers to acquiescence for five years in the “use of a registered trade mark”. As can be seen from the arguments advanced by Counsel, depending on your point of view this is capable of being interpreted as meaning acquiescence in the use of a trade mark for a period of five years during which it has at all times been registered, or alternatively, use that has spanned a period of five years during which time the trade mark has become registered.

33. Mr Mellor went on to argue that his interpretation of Section 48 is concerned with “use” was not only “confirmed by the plain language” of that section, but also when one looks to the TM Directive, in particular, Article 9(1). That Article reads as follows:

*“Article 9*

Limitation in consequence of acquiescence

1. Where, in a Member State, the proprietor of an earlier trade mark as referred to in Article 4(2) has acquiesced, for a period of five successive years, in the use of a later trade mark registered in that Member State while being aware of such use, he shall no longer be entitled on the basis of the earlier trade mark either to apply for a declaration that the later trade mark is invalid or to oppose the use of the later trade mark in respect of the goods or services for which the later trade mark has been used, unless registration of the later trade mark was applied for in bad faith.

2. Any Member State may provide that paragraph 1 shall apply *mutatis mutandis* to the proprietor of an earlier trade mark referred to in Article 4(4)(a) or an other earlier right referred to in Article 4(4)(b) or (c).

3. In the cases referred to in paragraphs 1 and 2, the proprietor of a later registered trade mark shall not be entitled to oppose the use of the earlier right, even though that right may no longer be invoked against the later trade mark.”

34. Depending on your point of view, this Article is just as capable of being read in the same two ways as the section of the Trade Marks Act that it fathered.

35. Mr Mellor submitted that the applicants’ construction of Section 48 “requires one to read into the section some wording which is not there”, namely, that the applicants had acquiesced for a continuous period of five years “since the date of completion of the registration procedure in the use of a registered trade mark.” He stated that when looking at Article 9(1), “one cannot help notice that when the community legislature wanted the date of completion of the registration procedure to be relevant, they had no difficulty in making that clear: see Article 10(1).”. Article 10(1) is concerned with the consequences of non-use following registration, and as stated by Mr Mellor, sets the period of non-use as being “...five years following the date of the completion of the registration procedure...”.

36. If Article 9(1) and Section 48 are concerned with use, and by not mentioning the completion of the registration process as being the starting point of the period of acquiescence are intended to relate to acquiescence in the use of a mark that becomes registered, why is there a need for the mark to be registered at all? A more natural reading of the acquiescence provisions is that the proprietor of an earlier trade mark has to acquiesce in, and be aware of the use of a later trade mark for a continuous period of five years, which for the whole of this time has been a registered trade mark.

37. Perhaps in anticipation of me reaching the conclusion that I have in respect of Section 48, Mr Mellor went on to argue that based on the provisions of Section 40(3) of the Act, the mark had, in any event, been on the register for five years in the full knowledge of the applicants. Section 40 reads as follows:

“40. - (1) Where an application has been accepted and-

(a) no notice of opposition is given within the period referred to in section 38(2),or

(b) all opposition proceedings are withdrawn or decided in favour of the applicant,

the registrar shall register the trade mark, unless it appears to him having regard to matters coming to his notice since the application was accepted that the registration requirements (other than those mentioned in section 5(1), (2) or (3)) were not met at that time.

(2) A trade mark shall not be registered unless any fee prescribed for the registration is paid within the prescribed period.

If the fee is not paid within that period, the application shall be deemed to be withdrawn.

(3) A trade mark when registered shall be registered as of the date of filing of the application for registration; and that date shall be deemed for the purposes of this Act to be the date of registration.

(4) On the registration of a trade mark the registrar shall publish the registration in the prescribed manner and issue to the applicant a certificate of registration.”

38. Mr Mellor’s submission is that Section 40(3) makes it clear that for the purposes of the Act, the date of registration is the date of application, so that once registered, a mark has been a registered trade mark since the date of application. This, he says is why in the context of the non-use provisions it is necessary to make express reference to the date of completion of the registration procedure. He contends that it is entirely logical for the relevant period for Section 48 to be taken as starting to run from the later of either the commencement of use, or the date of application. If a mark is already in use prior to application for registration, the owner of an earlier right must either assert his right in opposition, or if he allows the application to achieve registration, face the risk that he has already acquiesced for more than five years.

39. Deeming a mark to have a date of registration once a process has been completed is different to it actually being a registered trade mark. In purely practical terms, if the provisions of Section 40(3) did not exist, the date of registration would become wholly dependent on the speed with which a mark proceeds through the process from filing to publication for opposition purposes. I cannot believe that it was the intention of the parliamentary draftsmen to create such uncertainty. Section 40(3) does not, I consider, lead to the result that the 5 year period specified in section 48 can run at any time prior to actual registration of the later mark. In my view, the natural reading of Section 48/Article 9 is that the 5 year period referred to is intended to begin when the later mark is placed on the register, and that the terms of Section 48/Article 9 require a proprietor of an earlier trade mark to have been aware of, and acquiesced for a period of five years, in the use of a later trade mark which at all times during that period has been registered in fact. This is the position taken by Warren J in *The Sunrider Corporation (trading as Sunrider) v Vitasoy International Holdings Ltd* [2007] EWHC 37 (Ch):

“102 Returning, then, to the 1994 Act and construing it in the light of the Directive, section 40(3) does not, I consider, lead to the result that the five-year period specified in section 48 can run at any time prior to actual registration of the later mark. In my judgment, reference in section 48 to the use of a registered trade mark means use whilst the mark is actually registered and not use of a mark which is actually not registered but one the date of registration of which is deemed to be the date of application for registration.”

**40. It must therefore follow that, as the mark that is the subject of these proceedings had not been a registered trade mark for a continuous period of five years at the time that the application was made, the provisions of Section 48(1) cannot be relied upon by the registered proprietors.**

### **Abuse of process**

41. Mr Mellor submitted that although the Court of Appeal in *Special Effects* did not find there was an abuse of process, the facts in that case were very different in this case. He noted that the judgment made no alteration to the principles established by the House of Lords in *Johnson v Gore Wood* [2002] A.C. 1, and that the Court of Appeal ” naturally recognised that any decision on abuse of process is particularly sensitive to the particular situation under consideration.”. Mr Bloch did not dispute that the law is as set out in *Johnson* is the authoritative statement of the relevant principles in considering abuse of process. Mr Bloch also sought to rely on the decision in *Bradford & Bingley v Sedden* [1999] 1 WLR 1482, but as Mr Mellor stated in his reply submissions, that case was fully considered by the House of Lords in *Johnson* in their restatement of the Law.

42. In *Johnson* successive claims for professional negligence were made against a firm of solicitors who had acted in a proposal to buy land and in the exercise of an option for that purpose. The first action was brought by a company who had been the prospective purchaser of the land, and had been settled by the payment of money to that company. The second action was brought by Mr Johnson, who controlled the company in the first action. The solicitors applied to strike it out as an abuse of the process, and succeeded in doing so in the House of Lords. In the decision, Lord Bingham of Cornhill conducted an extensive review of the authorities, at paragraph 31 stating these to be as follows:

"But *Henderson v. Henderson* abuse of process, as now understood, although separate and distinct from cause of action estoppel and issue estoppel, has much in common with them. The underlying public interest is the same: that there should be finality in litigation and that a party should not be twice vexed in the same matter. This public interest is reinforced by the current emphasis on efficiency and economy in the conduct of litigation, in the interests of the parties and the public as a whole. The bringing of a claim or the raising of a defence in later proceedings may, without more, amount to abuse if the court is satisfied (the onus being on the party alleging abuse) that the claim or defence should have been raised in the earlier proceedings if it was to be raised at all. I would not accept that it is necessary, before abuse may be found, to identify any additional element such as a collateral attack on a previous decision or some dishonesty, but where those elements are present the later proceedings will be much more obviously abusive, and there will rarely be a finding of abuse unless the

later proceeding involves what the court regards as unjust harassment of a party. It is, however, wrong to hold that because a matter could have been raised in early proceedings it should have been, so as to render the raising of it in later proceedings necessarily abusive. That is to adopt too dogmatic an approach to what should in my opinion be a broad, merits-based judgment which takes account of the public and private interests involved and also takes account of all the facts of the case, focusing attention on the crucial question whether, in all the circumstances, a party is misusing or abusing the process of the court by seeking to raise before it the issue which could have been raised before. As one cannot comprehensively list all possible forms of abuse, so one cannot formulate any hard and fast rule to determine whether, on given facts, abuse is to be found or not. Thus while I would accept that lack of funds would not ordinarily excuse a failure to raise in earlier proceedings an issue which could and should have been raised then, I would not regard it as necessarily irrelevant, particularly if it appears that the lack of funds has been caused by the party against whom it is sought to claim. While the result may often be the same, it is in my view preferable to ask whether in all the circumstances a party's conduct is an abuse than to ask whether the conduct is an abuse and then, if it is, to ask whether the abuse is excused or justified by special circumstances. Properly applied, and whatever the legitimacy of its descent, the rule has in my view a valuable part to play in protecting the interests of justice."

43. At page 59, Lord Millett noted that the abuse of process principle could, unlike cause of action or issue estoppel, protect the integrity of a settlement. He continued:

““However this may be, the difference to which I have drawn attention is of critical importance. It is one thing to refuse to allow a party to relitigate a question which has already been decided; it is quite another to deny him the opportunity of litigating for the first time a question which has not previously been adjudicated upon. This latter (though not the former) is prima facie a denial of the citizen's right of access to the court conferred by the common law and guaranteed by Article 6 of the Convention for the Protection of Human Rights and Fundamental Freedoms (Rome, 4th. November 1953). While, therefore, the doctrine of res judicata in all its branches may properly be regarded as a rule of substantive law, applicable in all save exceptional circumstances, the doctrine now under consideration can be no more than a procedural rule based on the need to protect the process of the Court from abuse and the defendant from oppression. In *Brisbane City Council v.A.-G. for Queensland* [1979] A.C. 411 at 425 Lord Wilberforce, giving the advice of the Judicial Committee of the Privy Council, explained that the true basis of the rule in *Henderson v Henderson* 3 Hare 100 is abuse of process and observed that it

“... ought only to be applied when the facts are such as to amount to an abuse: otherwise there is a danger of a party being shut out from bringing forward a genuine subject of litigation.””

44. The Court of Appeal in *Special Effects* considered this to be the type of abuse of process argument that is generally mounted where a party seeks to put forward a claim, defence or argument which it has not relied on before, but that it could have done so on an earlier occasion. That is not the position here. They went on to say that if the point has been taken

before it gives rise to an issue estoppel, if not a cause of action estoppel. If that is not the case, they considered that it could be an abuse of process to raise the same arguments again, taking the view that "...Lord Bingham would have said the same about such a case." The Court stated that in deciding whether trying again would be an abuse it must be relevant to consider why the first attempt is not the basis for an estoppel.

76 It seems to us that it is also relevant to consider what is at stake at each stage. In opposition proceedings in the Registry, the consequence of failure for the opponent (leaving aside the abuse of process argument) is that the trade mark will be registered, though subject to the possibility of a later declaration of invalidity under s.47, at the suit either of the opponent or of some other party. It does not, as an infringement action could, lead to a financial liability and an injunction to stop the use of the opponent's own marks. In those circumstances it seems to us that the potential opponent could reasonably take the view that more limited resources should be deployed on opposition proceedings as compared with that which would be involved in court proceedings for infringement with a counterclaim for invalidity. That would also be consistent with the attitude that proceedings in the Registry are designed to be economical and expeditious, with limited costs recovery for the successful party.

77 Given the nature of opposition proceedings as being, essentially, preliminary (so as not to lead to a final decision, as discussed above) and given the manner in which they are generally conducted, as they were in the present case, and applying Lord Bingham's tests in the circumstances of this case, it seems to us that it would be wrong to regard it as an abuse of process for L'Oréal to seek to raise by way of counterclaim the grounds of invalidity on which it relied in the opposition proceedings, or to rely on the prior use which it had alleged in the opposition (and would rely on in support of the claim as regards invalidity) also as the basis of a passing off claim. If, as we have concluded, the legislation does not preclude the same party from seeking a declaration of invalidity, having failed in an opposition, it seems to us that the circumstances would need to be unusual to justify holding that a party who did take advantage of the second opportunity provided by the legislation is abusing the process of the court. We were told that sometimes opposition proceedings are conducted in a manner similar to that of High Court litigation, with counsel representing the parties and with disclosure and cross-examination. We could imagine the possibility that, if issues had been fought in that way in the Registry on an opposition, it might then be properly regarded as an abuse to fight the same issues again in court."

45. Mr Mellor put his arguments in the following way:

"5. Abuse of process is often characterized in terms of having "two bites at the cherry" – the debate in any particular case revolving around whether the protagonist should be restricted to his first bite, or whether he is allowed a second bite. To a very large extent, we are not concerned in this case with a decision as to "one bite or two", because, in truth, by this application, AB is seeking a **fourth** bite.

6. There are two aspects of the basic principles which need to be kept in mind:

- 6.1 First, the underlying public interest is that there should be finality in litigation and that a party should not be twice vexed in the same matter.

This underlying public interest is not affected by the precise way in which the claim or defence arose in the earlier proceedings and arises in the later proceedings.

- 6.2 Second, we are required by the House of Lords to take a “broad, merits-based judgment which takes account of the public and private interests involved and also takes account of all the circumstances”.

46. Accepting the public interest is in having finality in litigation, it is clear from the case law that this principle does not automatically override the right to use the due process of the law. Mr Bloch submitted that *Special Effects* confirmed that the legislation allows for a trade mark that has been registered in the face of opposition proceedings to be subsequently challenged under the invalidation provisions without being an abuse of process. He further argued that the applicants’ conduct is neither harsh nor oppressive, and they should not be denied their right of access to justice or the legal opportunities to protect their property afforded by the law and the appeal processes.

47. The applicants assert that the invalidation is not raising an argument or claim that could have been properly raised in the earlier proceedings because the invalidity option was not previously available to the applicants. In *Special Effects* the unsuccessful opponent raised the same arguments in a subsequent application for invalidation, in both cases founded under the same sections of the Trade Marks Act, yet the Court held that this was not an abuse of process. It seems to me that there must be even less reason to find abuse where the complaints are made under different legislative provisions. In their judgment, the Court of Appeal confirmed that as the legislation does not preclude a failed opponent from going on to seek a declaration of invalidity, the circumstances would need to be unusual to justify holding that taking the “second bite” is an abuse of the process of the court. Although the Court did not explicitly say what it meant by “unusual” I take this to be a reference to circumstances such as dishonesty or harassment set out in *Johnson* (but not limited to these). I can find no evidence of dishonesty on the part of the applicants, and if making the application is an act of harassment, I do not see that the Court in *Special Effects* could have reached the conclusion that it did.

48. The Court did indicate a particular circumstance that may fall within what they meant by “unusual”:

“We were told that sometimes opposition proceedings are conducted in a manner similar to that of High Court litigation, with counsel representing the parties and with disclosure and cross-examination. We could imagine the possibility that, if issues had been fought in that way in the Registry on an opposition, it might then be properly regarded as an abuse to fight the same issues again in court.”

49. I have to balance this with the decision of Auld LJ in *Bradford & Bingley Building Society v. Seddon* [1999] 1 W.L.R at page 1492, in which he stated:

"In my judgment mere 're'-litigation, in circumstances not giving rise to cause of action or issue estoppel, does not necessarily give rise to abuse of process. Equally, the maintenance of a second claim which could have been part of an earlier one, or which conflicts with an earlier one, should not, per se, be regarded as an abuse of process. Rules of such rigidity would be to deny its very concept and purpose. As Kerr LJ and Sir David Cairns emphasised in *Bragg v Oceanus Mutual Underwriting Association (Bermuda) Ltd* [1982] 2 Lloyd's Rep 132, 137, 138-139 respectively, the courts should not attempt to define or categorise fully what may amount to an abuse of process; see also per Stuart-Smith LJ in *Ashmore v British Coal Corp*n [1992] 2 QB 338, 352. Sir Thomas Bingham MR underlined this in *Barrow v Bankside Agency Ltd* [1996] 1 WLR 257, stating, at p 263b, that the doctrine should not be 'circumscribed by unnecessarily restrictive rules' since its purpose was the prevention of abuse and it should not endanger the maintenance of genuine claims; see also per Saville LJ, at p266d-e.

Some additional element is required, such as a collateral attack on a previous decision (see e g *Hunter v Chief Constable of the West Midlands Police* [1982] AC 529; *Bragg's case* [1982] 2 Lloyd's Rep 132, per Kerr LJ and Sir David Cairns, at pp 137 and 139 respectively, and *Ashmore's case* [1990] 2 QB 338), some dishonesty (see e g per Stephenson LJ in *Bragg's case*, at p 139, and Potter LJ in *Morris v Wentworth-Stanley* [1999] 2 WLR 470, 480 and 481; or successive actions amounting to unjust harassment (see e g *Manson v Vooght* [1999] BPIR 376 ...))."

50. This is not a situation where the Registrar has made a decision which is being further considered by the Court, the reverse is the case. This application is not an attack on the substance of the previous decision. The Court made its judgment based on the provisions available under different legislation, in particular the honest concurrent use provisions of the 1938 which do not form part of the 1994 Act, which the applicants argue gives rise to different considerations in the invalidity action. In all of the circumstances it is difficult to find that in doing what the law permits, the applicants for invalidation can be said to be abusing that process. I would add that paragraph 4 of Schedule 3 to the Act provides that where a mark was in lawful use prior to the commencement of the new Act, its continued use after the coming into force of the new legislation will remain lawful. By contrast, there is no equivalent provision protecting registrations made under the old law that are now liable to invalidation by virtue of the new law. This appears to have been a positive decision on the part of the legislature, possibly reflecting the constraints of the Trade JMark Directive. I therefore dismiss the allegation that seeking a declaration of invalidity is an abuse of process.

#### **Decision - Section 5(1) and 5(2)(b)**

51. The application is made under Section 5, subsections (a) and (b), which read as follows:

“5. - (1) A trade mark shall not be registered if it is identical with an earlier trade mark and the goods or services for which the trade mark is applied for are identical with the goods or services for which the earlier trade mark is protected

(2) A trade mark shall not be registered if because -



(a) .....

(b) it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected,

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.”

52. An earlier trade mark is defined in Section 6 of the Act as follows:

“6.-(1) In this Act an "earlier trade mark" means -

(a) a registered trade mark, international trade mark (UK), or international trade mark (EC) which has a date of application for registration earlier than that of the trade mark in question, taking account (where appropriate) of the priorities claimed in respect of the trade marks,”

53. The opponents rely on two earlier trade marks, registered under numbers 1125448 and 1125449. The first of these has a registration date of 12 February 1998, some seven years prior to this date on which the application for invalidity was made, the second being registered on 19 May 2000 which is just within five years of this date. This means that in the case of mark No. 1125448 the applicants must satisfy the provisions of Section 47(2)(A), which requires that they must show that the mark has been put into genuine use in the UK in the five years ending with the date of the application for the declaration. The use may be by the proprietors themselves, or by another party with their consent, and must be in relation to the goods for which the earlier mark is registered. If it has not been so used, the applicants must establish that there are proper reasons for this. The provisions of sub-section (2)(c) allow for use of a trade mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered.

54. The Act refers to “genuine use” having been made of the trade mark but does not set out what constitutes use that is genuine. The European Court of Justice (ECJ) in Case C-40/01, *Ansul BV v Ajax Brandbeveiliging BV* [2003] RPC 40 page 725 paragraph 36, answered the question of what “genuine use” means in the following terms:

“Genuine use must therefore be understood to denote use that is not merely token, serving solely to preserve the rights conferred by the mark. Such use must be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of the goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the product or service from others that have another origin.”

55. In the *Police* case [2004] RPC 35, the Appointed Person took the view that the *Ansul* decision did not limit the factors to be taken into account in establishing whether use was genuine only to the three areas specifically mentioned. It had stated that all facts and circumstances relevant to establishing whether there had been real commercial exploitation should be included, and that the size of a proprietor’s undertaking may be relevant.

56. The applicants make no claim to having used the trade mark BUD, nor provided any evidence to show that they have used it. Consequently, there is nothing that shows the Proof of Use requirements to be satisfied in respect of this earlier mark and I cannot take it into account in my determination of this case.

57. The second of their earlier marks, number 1125449 is not caught by the Proof of Use regulations. I will therefore go on to consider the substantive grounds under Section 5(1) based on this earlier mark. Guidance has been provided by the European Court of Justice (ECJ) in *Sabel BV v Puma AG* [1998] E.T.M.R. 1, *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* [1999] E.T.M.R. 1, *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel B.V.* [2000] F.S.R. 77 and *Marca Mode CV v Adidas AG & Adidas Benelux BV* [2000] E.T.M.R. 723.

58. Self-evidently the marks are visually and aurally identical, and insofar as they send any conceptual message, this must be the same. It is also obvious that in respect of “beer, ale and porter” the respective specifications encompass the same goods. The only possible area of contention is the description “malt beverages” in the mark in suit. That term covers all beverages made with malt, including “malt beers” and the like. Accordingly, the specification of the registration that is the subject of these proceedings is covered, in its entirety by the specification of the applicants’ earlier mark. That the registered proprietors’ specification is limited by the exclusion “but not including any such goods for supply to, or sale in, the United States of America’s Embassy and PX stores in the United Kingdom” does not change matters. The applicants notionally have coverage for their goods wherever they are capable of being sold.

59. The applicants claim to have used BUDWEISER in the UK, in relation to beer since 1974. They provide figures for sales by volume of BUDWEISER branded beer in the UK from 1995, which, even without knowing the actual size of the market, leaves little room to doubt that they represent significant sales. They say that these sales have been made “in all retail arenas, namely through the licensed trade (on trade) and retail off-license trade, as well as through supermarket premises and other retail outlets.”, and that the “BUDWEISER mark is always used on the labelling...and any associated promotional and advertising activity.”. Whilst there is no evidence such as invoices, delivery notes, labels or advertisements that shows when and where the goods have been on sale, or how the mark has been used, the applicants claims to use have not been challenged.

60. The registered proprietors also claim to have been using BUDWEISER in the UK, in Mr Boček’s words, “periodically” from 1973 to 1979 when sales of beer under the mark amounted to “...something in excess of 1 million bottles.”. Mr Boček does not elaborate on what is meant by “periodically”, which I take to mean “not continuous”, or the basis on which he arrived at the “...somewhat in excess of...” figure, although I do note that this is the figure quoted by Peter Gibson LJ in the earlier proceedings. Volumetric sales figures for the years 1995 through to 2005 have been given, which, although far less than those of the applicants, nonetheless appear significant by any standards. Mr Boček does not comment on the gap between the periods, and I am left to ponder whether they were active in the UK market during this time. The registered proprietors also claim to have always used the trade mark on the labelling, and in associated promotional and advertising activities. Again, there

is no supporting evidence, but neither is there any challenge to the veracity of these claims.

61. Given that the goods are notionally the same, there is no reason why the channels and circumstances of trade, from manufacturer to retail should be any different, nor any evidence that would lead me to a contrary view. The same position exists in respect of the relevant consumer of the goods in question. Such as it is, the evidence indicates (although does not substantiate) that the two marks have co-existed for some considerable time with no apparent confusion, a fact that on its face could have provided a compelling reason to allow what exists in the market to remain undisturbed. It may well be that having traded side by side for so long the consumer is now fully aware of the two competing brands, but equally could mean that confusion is there but this has not surfaced; there is no evidence one way or the other.

62. The question of confusion or no confusion is, however, academic, for under Section 5(1) there is no requirement for there to be a finding of a likelihood of confusion. If the marks and goods are found to be identical, the potential for confusion is simply assumed. No amount of evidence of non-confusion, if there is such a thing, nor the absence of any evidence of confusion can change the conclusion. The position is that even though the parties appear to have traded alongside one another without there being any harm, because the marks and goods are identical, concurrent use is not a factor that I can properly take into account; refusal is mandatory.

63. I have a certain unease at the position in which I find myself. The Court of Appeal issued a decision that on the facts, allowed the status quo in the reality of the market to continue. In concentrating on the legal issues the parties have left me in the position of having to determine these proceedings on the thinnest of evidence, and I must now decide this on essentially a notional basis. Adopting the global approach advocated by the case law I do not see that there can be any other finding other than in favour of the applicants. The registered proprietors' may well have a registration for BUD pre-dates the earlier marks relied upon by the applicants, but that is not a fact that can assist them here. The application succeeds under Section 5(1).

64. The application having succeeded, the applicants are entitled to a contribution towards their costs. I order the registered proprietors to pay the applicants the sum of £2,750 as a contribution towards their costs. This sum is to be paid within seven days of the expiry 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 2nd day of August 2007**

**Mike Foley  
for the Registrar  
the Comptroller-General**