

**TRADE MARKS ACT 1994**

**IN THE MATTER OF AN INTERLOCUTORY HEARING  
IN RELATION TO TRADE MARK APPLICATION NO 2243039**

**OF YSC LIMITED**

**AND**

**THE OPPOSITION THERETO UNDER NO 90260  
BY HUTCHISON WHAMPOA ENTERPRISES (BAHAMAS) LTD**

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in relation to trade mark application no 2243039  
of YSC Limited  
and  
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by Hutchison Whampoa Enterprises (Bahamas) Ltd**

- 1) At an interlocutory hearing on 6 February 2003 at the request of YSC Limited (referred to afterwards as YSC) I struck out a ground of opposition under section 3(4) of the Trade Marks Act 1994 (the Act). At the hearing Hutchison Whampoa Enterprises (Bahamas) Ltd (referred to afterwards as Hutchison) was represented by Mr Edenborough of counsel, instructed by RGC Jenkins & Co. YSC through its representatives, Rouse & Co International, filed written submissions and sent an observer to the hearing, Ms Slade.
- 2) In a written confirmation of my decision Hutchison was allowed one month to request a statement of grounds. The written confirmation was issued on 11 February 2003.
- 3) On 10 March 2003 Hutchison filed a form TM5 to request a statement of grounds.

### **BACKGROUND**

- 4) Hutchison filed a notice of opposition to YSC's application on 26 March 2002. Included in the grounds of opposition was the following:

“The Opponent alternatively or additionally contends that the present application ought to be refused under the terms of Section 3(4) of the Act, to the extent that the goods and services applied for are identical with the goods and services covered by the registration referred to in paragraph 1 above, on the basis that use of the mark applied for in respect of such goods and services would constitute an infringement of the rights given by the registration referred to in paragraph 1 under Article 9(1)(a) of Council Regulation (EC) No. 40/94, since there would be use of a sign identical with the registered mark in relation to the same goods and services as registered, and Section 3(4) of the Act prevents registration of any mark the use of which in the UK is prohibited by any provision of Community law.”

The grounds of opposition also included grounds under sections 5(1) and 5(2)(a) and (b) of the Act.

- 5) On 8 July 2002 YSC filed a counterstatement. In relation to the ground of opposition under section 3(4) YSC stated the following:

“The Applicant contends that the Opponent is seeking to introduce under Section 3(4) of the Act relative grounds opposition as an absolute ground and therefore the opposition under Section 3(4) should be refused. To support this contention the Applicant's would

refer to paragraph 16 of the Tribunal Practice Notice 4/2000 in which the Registrar's practice regarding use of Section 3 grounds as relative grounds of refusal is clearly set out."

I reproduce the relevant paragraph below:

"16. It is not uncommon for opponents to refer to their own earlier rights in support of their objections under Section 3, for example Section 3(3)(b). It has been confirmed in several decisions (see Euromix O/072/00) that these sections relate to absolute grounds for refusal, intended to prevent the registration of trade marks with some intrinsic or inherent feature. The question of other parties' rights in a trade mark fall to be decided by reference to the relative grounds for refusal. Claims of this nature should therefore be made under the appropriate subsection of section 5."

6) Also on 8 July 2002 YSC wrote to Hutchison to request that it withdraw its ground of opposition under section 3(4); a copy of this letter was sent to the registrar. On 23 August 2002 YSC wrote to the registrar. In its letter it requested that consideration should be given to having this ground of opposition deleted. The registrar asked Hutchison for its reaction to the request of YSC. On 4 November 2002 Hutchison wrote to the registrar to state that it did not consider that the ground of opposition should be deleted. On 28 November 2002 the registrar wrote to both sides to advise that her preliminary view was that the ground of opposition should be struck out. Consequent to this letter Hutchison requested an interlocutory hearing; the decision taken at the subsequent hearing has given rise to this statement of grounds.

## **DECISION**

7) There are two parts to my decision. One part deals with whether the ground of opposition is valid, the other whether the ground should be struck out. The striking out is dependent on the question of the validity of the ground of opposition. Consequently, I consider it best to deal with the validity of the ground of opposition and then to go on to the issue of striking out.

### **The ground of opposition**

8) Section 3(4) of the Act states:

"A trade mark shall not be registered if or to the extent that its use is prohibited in the United Kingdom by any enactment or rule of law or by any provision of Community law."

Article 9(1) and 9(1)(a) of the Regulation state:

"1. A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the Community trade mark in relation to goods or services which are identical with those for which the Community trade mark is registered;"

9) I consider that there are two impediments to accepting the ground of opposition under consideration. Firstly, Council Regulation (EC) No. 40/94 (the Regulation) cannot be used as the basis of a ground of opposition under section 3(4). Secondly, the registrar has no vires to apply Article 9(1)(a) of the Regulation.

10) “Kerly’s Law of Trade Marks and Trade Names Thirteenth Edition” at 7-171 comments upon section 3(4) in the following terms:

“Article 3(2)(a) of the TM Directive is an optional ground for refusal. It provides that a trade mark shall not be registered, etc, where and to the extent that the use of that trade mark may be prohibited pursuant to the provisions of law *other than trade mark law* of the Member State concerned or of Community law. By not using the unchanged words of the Directive, potential confusion has been created over what section 3(4) of the 1994 Act covers. Nonetheless, the effect ought to be the same. When section 3(4) is construed in the light of the TM Directive, it is clear that it can only be referring to matters outside the 1994 Act.”

Article 3(2) and 3(2)a state:

“2. Any Member State may provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where and to the extent that:

(a) the use of that trade mark may be prohibited pursuant to provisions of law other than trade mark law of the Member State concerned or of the Community”

11) Mr Edenborough did not suggest that “Kerly’s” was wrong. I do not believe that at the hearing that Mr Edenborough deferred from the view that section 3(4) was based upon article 3(2)(a). From Mr Edenborough’s submissions it seemed to me that, taking into account the view of “Kerly’s”, he was advocating that Hutchison’s case was not caught by the interpretation as it rested upon a Community trade mark and the Regulation rather than the Act. It seems to me that this is a very narrow interpretation of the position advanced in “Kerly’s”. I take a different position in relation to this matter. I do not consider that the effects of the Regulation in respect of earlier Community trade marks and United Kingdom trade mark applications are matters outside the Act. They are very much matters, in my view, within the Act. They are brought into the Act by the definition of an “earlier trade mark” for the purposes of sections 5(1), (2) and (3) of the Act:

- “(a) a registered trade mark, international trade mark (UK) or **Community trade mark** 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,
- (b) a **Community trade mark** which has a valid claim to seniority from an earlier registered trade mark or international trade mark (UK),”

The effects of Community trade mark applications and registrations on United Kingdom applications are very much matters within the Act. **Consequently, I am of the view that if “Kerly’s” is correct Mr Edenborough’s case fails.**

12) Mr Edenborough made much of the fact that article 3(2)(a) is an optional part of the Directive. Consequently, he considered that I could not interpret the scope and effect of section 3(4) on the basis of the Directive. I view that position differently. Yes, this part of the Directive is optional. However, that it is optional does not in my view mean that it can be used to establish a wider base for objection than the basic parameter. Article 4(4)(a) is an optional part of the Directive. However, the parameters that it sets and its interpretation have been decided by the European Court of Justice, it has not deferred to the national courts. This has been the case in *General Motors Corporation v Yplon SA* Case C-375/97 [2000] RPC 572 and *Davidoff & Cie and Zino Davidoff SA v Gofkid Ltd* Case C-292/00 for instance. Equally this has been the case in other optional parts of the Directive such as article 5(5), *Robelco NV v Robeco Groep NV* Case C-23/01.

13) The Directive seeks the general harmonisation of trade mark law within the Community, not complete homogeneity. This is well established and not a matter of dispute. The optional parts of the Directive cannot have direct effect, this would contradict their optional nature (see *Consorzio del Prosciutto di Parma v. Asda Stores Ltd* [2002] FSR 3 re the issue of direct effect). However, I do not consider that the issue of direct effect has a bearing upon this case. It is my view that the Directive sets overall parameters for the optional parts. If it did not set such parameters their inclusion would serve little purpose and it is difficult to see how the European Court of Justice could make rulings in relation to their application in national law, as was the case in *Robelco*. The Directive allows the national jurisdictions to implement the optional parts of the Directive to the extent that is permitted within the relevant article. There is nothing that demands implementation to the full effect, again see *Robelco*, however, the national jurisdiction cannot apply the law beyond the parameter of the Directive; so to do would be to negate the purpose of the optional parts of the Directive. Consequently, in relation to the optional parts of the Directive which have been implemented in national law, and which are allowed for by the Directive, I consider that in the matter of a dispute it is appropriate to look to the wording of the Directive. Effectively adopting the same position as for the compulsory parts of the Directive. If this is not the case I cannot see why the European Court of Justice would be giving rulings on the effects and meanings of optional parts of the Directive if, according to the argument of Mr Edenborough, they are solely in the gift of the national jurisdiction. I, therefore, look to article 3(2)(a) which sets the limits for section 3(4). Article 3(2)(a) specifically excludes trade mark law of the member state or of the Community. **Hutchison is relying upon the Regulation, the trade mark law of the Community, consequently the basis of the opposition under section 3(4) is specifically excluded.**

14) If I am incorrect in the conclusions that I have reached in both paragraphs 11 and 13 I consider that Article 9 cannot still not apply in opposition proceedings before the registrar. Article 9 is enforced by article 92 and this article states that Community trade mark courts shall have exclusive jurisdiction for all infringement actions and article 9 is about infringement. **As the registrar does not sit as a Community trade mark court she cannot have any jurisdiction in matters arising from article 9 and so any application by her of article 9 would be ultra vires.**

15) Further article 9 relates to use of a sign in the course of trade. An application for a trade mark cannot be described, in my view, as an action in the course of trade; it is simply an application. It can be a precursor to trade or a legitimisation of trade, it in itself is not trade. **As the application, which is what I have to consider, is not made use of in the course of trade**

**article 9 can have no effect in opposition proceedings.** (It may be that YSC's trade mark has been used in trade, that is not what I have to consider; it is the application I have to consider. If YSC's trade mark has been used in trade then it is for Hutchison to seek redress from a Community trade mark court if it considers it appropriate.) In this context it is to be noted that section 3(4) is not postulated in a hypothetical form unlike section 5(4) – which is based on the use of the trade mark being liable to be prevented. Section 3(4) requires that the trade mark's use is prohibited in the United Kingdom per se. It is cut and dried, it cannot be dependant upon what might happen if there were a hypothetical infringement action.

**16) The grounds of opposition under section 3(4) are invalid on the basis of each of my conclusions in paragraphs 11, 13, 14 and 15.**

17) Section 5 of the Act is a mirror of section 10, the part of the Act which deals with infringement. Section 10 like article 9 refers to an offending sign being used in the course of trade. Section 5 is there to allow issues of offending signs to be dealt with by the registrar. If the argument of Mr Edenborough is correct section 5 is otiose.

18) The purpose of importing article 9 into the opposition was, as far as I can see, to take advantage of what might be considered a more liberal interpretation of the meaning of identical in infringement actions. However, I think this misses the points of what has been happening in the courts. The courts have to deal with the actual use of an infringing sign, not a simple application. In use a sign is very unlikely to be used without other matter in its vicinity. So the court has to decide whether that other matter has a bearing upon the issue of identity. The court cannot simply look at an application form and make a decision without having to take into account extraneous data. Unlike the registrar the court does not view the defendant's trade mark in a clean room, it has to view the offending sign amongst all the debris and detritus of the street. I do not consider that identical has a different meaning or potential interpretation based on whether it is raised under sections 5 or 10 of the Act or article 9 of the Regulation. I am fortified in this view by the opinion of Jacobs AG in *SA Société LTJ Diffusion v SA SADAS* Case C-291/00. In his opinion he joins together articles 4(1) and 5(1) of the Directive and articles 8(1)(a) and 9(1)(a) of the Regulation. (Article 8(1)(a) of the Regulation is the equivalent to section 5(1) of the Act.) Jacobs AG works on the premise that the meaning of identical does not vary dependant upon whether there are opposition or infringement proceedings; the same test applies. This is not the issue before the European Court of Justice, Jacob AG simply sets out his stall on the basis that is a given; a given that is uncontroversial. Based on what I have written in this paragraph I cannot see how Hutchison can be any better off under article 9(1)(a) than under section 5(1) of the Act.

**The striking out**

19) Mr Edenborough did not contest that the power to strike out arose from the inherent jurisdiction of the registrar (see *Rhone-Poulenc SA's (Ketoprofen) Patent* [1989] RPC 570). He submitted that in considering whether to strike out I should make my decision on the basis of the Civil Procedure Rules (CPR). I was and am happy to agree with this submission. The legislation governing the Patent Office is silent on the issue of striking out. Although the CPR is not binding upon the registrar, see *ST TRUDO Trade Mark* [1995] RPC 370, she looks to the CPR for guidance on how to approach procedural issues where the trade mark rules are silent.

20) Rule 3.4 and Practice Direction 3PD1 deal with striking out. Rule 3.4(2) and 2(a) state:

“(2) The court may strike out GL a statement of case if it appears to the court—  
(a) that the statement of case discloses no reasonable grounds for bringing or defending the claim;”

Rule 3.4.1 (a) states that a statement of case may be struck out (in whole or in part) if “it discloses no reasonable grounds for bringing or defending the claim”. The CPR goes on to state

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

Rule 3.4.2 states:

**“3.4.2 Statement of case discloses no reasonable grounds for bringing or defending the claim**

(r.3.4(2)(a)) - Statements of case which are suitable for striking out on ground (a) include those which raise an unwinnable case where continuance of the proceedings is without any possible benefit to the respondent and would waste resources on both sides (*Harris v. Bolt Burdon* [2000] L.T.L., February 2, 2000, CA). A claim or defence may be struck out as not being a valid claim or defence as a matter of law (*Price Meats Ltd v. Barclays Bank PLC*, *The Times*, January 19, 2000, Ch.D). However, it is not appropriate to strike out a claim in an area of developing jurisprudence, since, in such areas, decisions as to novel points of law should be based on actual findings of fact (*Farah v. British Airways plc*, *The Times*, January 26, 2001, CA). A statement of case is not suitable for striking out if it raises a serious live issue of fact which can only be properly determined by hearing oral evidence (*Bridgeman v. McAlpine-Brown* [2000] L.T.L., January 19, 2000, CA).

The ECHR, Article 6(1) right of access to a court may require caution on the part of courts in exercising the r.3.4(2)(a) power to strike out a statement of case which appears to disclose no reasonable grounds for bringing or defending a claim, particularly where it would be applying the rules in such a way as to exclude an entire category of claims from the courts or confer blanket "immunities" from civil liability on particular groups: *Fayed v. United Kingdom* (1994) 18 E.H.R.R 393, para. 65, ECtHR.”

Later the rule goes on:

“Lord Woolf stated that: "it would be wrong for the *Osman* decision to be taken as a signal that, even when the legal position is clear and an investigation of the facts would provide no assistance, the Courts should be reluctant to dismiss cases which have no real prospect of success. Courts are now encouraged, where an issue or issues can be identified which will resolve or help to resolve litigation, to take that issue or those issues at an early stage of the proceedings so as to achieve expedition and save expense. There is no question of any contravention of Article 6 in so doing".

Lord Woolf's comments were endorsed in *Outram v. Academy Plastics Limited*, April 19, 2000, unrep., CA.

A statement of case which discloses no reasonable grounds may also be an abuse of the court's process, and, in respect of it, the opposing party may be entitled to summary

judgement under Pt 24. Thus, there is no exact dividing line between ground (a) and ground (b) (as to which see para. 3.4.3) or between either of them and Pt 24 (as to which see para. 3.4.6).”

In the Practice Direction the following is stated:

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

21) It is my view, for all the reasons I have given above, the ground of opposition under section 3(4) of the Act is not valid and so is unwinable. A continuance of the case in respect of this ground of opposition is without any possible benefit and would waste resources in relation to the preparation of legal submissions on both sides. For the reasons I give below I am not convinced that there would be any additional evidential burden upon either side for the support or rebuttal of the ground of opposition.

22) Mr Edenborough was of the view that the ground should not be struck out as it represents an area of developing jurisdiction. Similar grounds have been raised on many occasions in proceedings before the registrar and have been rejected. Indeed since I made my decision on this issue decision BL 0/066/03 has been issued. Mr Edenborough made written decisions in BL0/066/03 on behalf of the opponent. In the decision he is quoted as submitting the following:

“Similarly, it is now clear that an objection based upon section 3(4) is not the appropriate way in which to attack an application where the basis is an opponent’s earlier rights.”

Mr Edenborough was not countering the argument of the opponent, he was acting for the opponent. The written submissions were dated 1 December 2001 and so predate the submissions he made in this case by some time. This is but one example of where section 3(4) was raised on the basis of trade mark rights. In most cases the ground is either abandoned or not actively pursued at the hearing.

23) I do not consider that the ground of opposition is an area of developing jurisprudence. The ground has gone nowhere in their past and in my view will go nowhere in respect of this case. By dealing with the issue at this stage I do not see that Hutchison has been put to any disadvantage. The question is one of interpretation of the relevant law, not the facts of the case. I cannot readily imagine how any evidence that Hutchison might wish to supply in respect of section 5 would differ from evidence it would supply in respect of section 3(4). Such evidence would relate to Hutchison’s use of its trade mark and/or YSC’s use of its trade mark. The facts are not going to vary or the evidence, it is but the law that will vary. The issue of the law was fully argued at the interlocutory hearing; I cannot see that any argument would have been different at a main hearing.

**24) Consequent upon the above I consider that it was appropriate to strike out the ground of opposition under section 3(4).**



## **COSTS**

25) *Rizla Ltd's Application* [1993] RPC 365 confirms that in the matter of costs the registrar has a wide discretion. As I have stated above I do not consider that the objection under section 3(4) imposes any additional evidential burden upon either side; the matter rests on the application of relevant case law. Consequently, I consider that the issue could have been dealt with quite adequately at the main hearing without any unnecessary burden being put upon either side. It is YSC's right to challenge the ground of opposition. In my view it had a sound basis for the challenge but I feel that it could have been dealt with just as conveniently, and possibly more expeditiously, at the main hearing. In these circumstances I considered that YSC deserved some recompense as the winning side in this issue. However, as the matter could have been dealt with at the main hearing I consider that the recompense should be of a limited amount. Hence my decision that YSC was entitled to £100 towards its costs in relation to this issue.

**26) Hutchison Whamboa Enterprises (Bahamas) Ltd is to pay YSC Limited the sum of £100. 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 18 day of March 2003**

**David Landau  
For the Registrar  
The Comptroller General**