O/0758/23

TRADE MARKS ACT 1994

CONSOLIDATED PROCEEDINGS

IN THE MATTER OF REGISTRATION NOS. UK00003435976 AND UK00003426787

IN THE NAME OF VLADIMIR AFONIN

FOR THE TRADE MARK:

Truepill

AND APPLICATIONS FOR A DECLARATION OF INVALIDITY

UNDER NOS. 504068 AND 504069

BY TRUEPILL, INC.

BACKGROUND AND PLEADINGS

1. On 7 September 2019, Vladimir Afonin ("the proprietor") applied to register UKTM no. 3426787 in the UK ("the First Contested Mark"). The First Contested Mark was registered on 29 November 2019.

2. On 12 October 2019, the proprietor applied to register UKTM no. 3435976 in the UK ("the Second Contested Mark"). The Second Contested Mark was registered on 10 January 2020.

3. On 13 August 2021, Truepill, Inc. ("the applicant") applied to invalidate the First and Second Contested Marks based upon section 47 of the Trade Marks Act 1994 ("the Act"). The applicant relies upon section 3(6) of the Act and claims that the First and Second Contested Marks were filed in bad faith.

4. The proprietor filed counterstatements denying the claims made.

5. Only the applicant filed evidence during the evidence rounds. The proprietor is unrepresented and the applicant is represented by Lane IP Limited.

6. On 13 February 2023, the applicant made an application for security for costs. A hearing took place before me on 20 March 2023. Following the hearing, I wrote out to the parties as follows:

> "I write further to the hearing which took place before me today, by telephone conference. The applicant was represented by Mr Philip Harris, of Lane IP. Mr Afonin elected not to attend. The purpose of the hearing was to discuss the applicant's request for security for costs. I reserved my decision.
>
> Prior to the hearing, the applicant filed the witness statement of Mr Robert Snell in support of its application. This was received by the Registry at 1:06am this morning. Given the time at which the witness statement was filed and its proximity to the hearing, I have decided to give Mr Afonin a period of 4 days to make any comments in response to that evidence prior to giving a final decision

on the application. Any such comments should be filed on or before 3 April 2023. […]"

7. Mr Afonin did not respond to the evidence filed by the applicant.

8. On 12 April 2023, I ordered Mr Afonin to pay security in the sum of £1,800 by no later than 3 May 2023. A copy of my letter is included in the Annex to this decision.

9. On 16 June 2023, the Registry wrote to the parties as follows:

"I can confirm we have checked our records and it does not appear that any payment for security has been made. If the proprietor has made a payment, they should provide a payment date/method within the next 7 days, on or before 23 June 2023. If no response is received, the Hearing Officer will issue a final decision on the matter on the basis that the TM8 is deemed withdrawn."

10. No correspondence has been received from Mr Afonin.

DECISION

11. Rule 68 of the Trade Mark Rules 2008 states:

"(1) The registrar may require any person who is a party in any proceedings under the Act or these Rules to give security for costs in relation to those proceedings; and may also require security for the costs of any appeal from the registrar's decision.

(2) In default of such security being given, the registrar, in the case of the proceedings before the registrar, or in the case of an appeal, the person appointed under section 76 may treat the party in default as having withdrawn their application, opposition, objection or intervention, as the case may be."

12. As no payment has been received, the proprietor's counterstatements are deemed withdrawn pursuant to rule 68(2). Consequently, the facts as stated in the Notices of Invalidation are deemed to be undisputed.

13. That is, of course, not the end of the matter. I must make an assessment as to whether the grounds for invalidation, as pleaded, are sufficient to justify the applications for invalidation being ordered. If they are not, then the fact that the proprietor has failed to pay security will not, of itself, be sufficient for the First and Second Contested Marks to be declared invalid. However, if the grounds pleaded are sufficient, then by virtue of the counterstatement being deemed withdrawn, the applications for invalidation will be successful.

14. Section 3(6) of the Act states:

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

15. In *Sky Limited & Ors v Skykick, UK Ltd & Ors*, [2021] EWCA Civ 1121 the Court of Appeal considered the case law from *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*, Case C-529/07 EU:C:2009:361, *Malaysia Dairy Industries Pte. Ltd v Ankenævnetfor Patenter Varemærker* Case C-320/12, EU:C:2013:435, *Koton Mağazacilik Tekstil Sanayi ve Ticaret AŞ,* Case C-104/18 P, EU:C:2019:724, *Hasbro, Inc. v EUIPO, Kreativni Dogaaji d.o.o. intervening,* Case T-663/19, EU:2021:211, *pelicantravel.com s.r.o. v OHIM, Pelikan Vertriebsgesellschaft mbH & Co KG (intervening),* Case T-136/11, EU:T:2012:689, and *Psytech International Ltd v OHIM, Institute for Personality & Ability Testing, Inc (intervening),* Case T-507/08, EU:T:2011:46. It summarised the law as follows:

> "68. The following points of relevance to this case can be gleaned from these CJEU authorities:
>
> 1. The allegation that a trade mark has been applied for in bad faith is one of the absolute grounds for invalidity of an EU trade mark which can be relied on

before the EUIPO or by means of a counterclaim in infringement proceedings: *Lindt* at [34].

2. Bad faith is an autonomous concept of EU trade mark law which must be given a uniform interpretation in the EU: *Malaysia Dairy Industries* at [29].

3. The concept of bad faith presupposes the existence of a dishonest state of mind or intention, but dishonesty is to be understood in the context of trade mark law, i.e. the course of trade and having regard to the objectives of the law namely the establishment and functioning of the internal market, contributing to the system of undistorted competition in the Union, in which each undertaking must, in order to attract and retain customers by the quality of its goods or services, be able to have registered as trade marks signs which enable the consumer, without any possibility of confusion, to distinguish those goods or services from others which have a different origin: *Lindt* at [45]; *Koton Mağazacilik* at [45].

4. The concept of bad faith, so understood, relates to a subjective motivation on the part of the trade mark applicant, namely a dishonest intention or other sinister motive. It involves conduct which departs from accepted standards of ethical behaviour or honest commercial and business practices: *Hasbro* at [41].

5. The date for assessment of bad faith is the time of filing the application: *Lindt* at [35].

6. It is for the party alleging bad faith to prove it: good faith is presumed until the contrary is proved: *Pelikan* at [21] and [40].

7. Where the court or tribunal finds that the objective circumstances of a particular case raise a rebuttable presumption of lack of good faith, it is for the applicant to provide a plausible explanation of the objectives and commercial logic pursued by the application: *Hasbro* at [42].

8. Whether the applicant was acting in bad faith must be the subject of an overall assessment, taking into account all the factors relevant to the particular case: *Lindt* at [37].

9. For that purpose it is necessary to examine the applicant's intention at the time the mark was filed, which is a subjective factor which must be determined by reference to the objective circumstances of the particular case: *Lindt* at [41] – [42].

10. Even where there exist objective indicia pointing towards bad faith, however, it cannot be excluded that the applicant's objective was in pursuit of a legitimate objective, such as excluding copyists: *Lindt* at [49].

11. Bad faith can be established even in cases where no third party is specifically targeted, if the applicant's intention was to obtain the mark for purposes other than those falling within the functions of a trade mark: *Koton Mağazacilik* at [46].

12. It is relevant to consider the extent of the reputation enjoyed by the sign at the time when the application was filed: the extent of that reputation may justify the applicant's interest in seeking wider legal protection for its sign: *Lindt* at [51] to [52].

13. Bad faith cannot be established solely on the basis of the size of the list of goods and services in the application for registration: *Psytech* at [88], *Pelikan* at [54]."

16. According to *Alexander Trade Mark*, BL O/036/18, the key questions for determination in a claim of bad faith are:

(a) What, in concrete terms, was the objective that the applicant has been accused of pursuing?

(b) Was that an objective for the purposes of which the contested application could not be properly filed? and

(c) Was it established that the contested application was filed in pursuit of that objective?

17. It is necessary to ascertain what the proprietor knew at the relevant date: *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch). Evidence about subsequent events may be relevant, if it casts light backwards on the position at the relevant date: *Hotel Cipriani SRL and others v Cipriani (Grosvenor Street) Limited* and others, [2009] RPC 9 (approved by the Court of Appeal in England and Wales: [2010] RPC 16).

18. The applicant's pleaded case is, essentially, that the proprietor had no intention to use the First and Second Contested Marks at the time of filing. Firstly, the applicant points to the "sheer number of goods" for which the proprietor has registered its marks. Secondly, the applicant claims that the filing of the First and Second Contested Marks was part of a pattern of behaviour "in which the [proprietor] has registered/applied to register various pre-existing third party brands upon publication of their investment and development activity". The applicant suggests that the proprietor's reason for doing this must be for some kind of personal (probably financial) gain.

19. It is clear from the case law that bad faith cannot be established solely on the basis of the size of the list of goods in the application for registration (*Psytech* at [88], *Pelikan* at [54]). However, a lack of intention to use trade marks because they are part of a pattern of behaviour aimed at exploiting existing signs which have recently benefitted from investment or development for personal gain is clearly an abuse of the trade mark system and one capable of forming the basis of a bad faith claim.

20. I must proceed on the basis that the facts as pleaded by the applicant are undisputed. Consequently, I am satisfied that the First and Second Contested Marks have been filed in bad faith.

21. The applications based upon section 3(6) of the Act are successful.

CONCLUSION

22. The application for invalidity against UKTM no. 3435976 is successful and the registration is declared invalid.

23. The application for invalidity against UKTM no. 3426787 is successful and the registration is declared invalid.

COSTS

24. As the applicant has been successful, it is entitled to a contribution towards its costs based upon the scale published in Tribunal Practice Notice 2/2016. I invited both parties to make submissions on costs. Only the applicant filed any comments. I have taken these into consideration. In the circumstances, I award the applicant the sum of **£2,500**, calculated as follows:

Preparing Notices of Invalidation (x2)	£700
Preparing and filing evidence	£1,000
Security for costs hearing	£400
Official fees (£200 x 2)	£400
Total	**£2,500**

25. I therefore order Vladimir Afonin to pay Truepill, Inc. the sum of £2,500. This sum should be paid within 21 days of the expiry of the appeal period or, if there is an appeal, within 21 days of the conclusion of the appeal proceedings.

Dated this 9th day of August 2023

S WILSON
For the Registrar

ANNEX

Dear Sir,

I write further to the hearing that took place before me on Monday 20 March 2023, by telephone conference.

The applicant was represented by Mr Philip Harris of Lane IP Limited. The proprietor did not attend.

Prior to the hearing, the applicant filed a witness statement of Robert Snell dated 19 March 2023. This witness statement was filed in the early hours of the morning on the day of the hearing. Consequently, and as the proprietor did not attend, I gave the proprietor a period of 14 days to respond to the evidence filed. No comments were received from the proprietor.

Section 68 of the Trade Marks Act 1994 ("the Act") states:

> "(3) Provision may be made by rules empowering the registrar, in such cases as may be prescribed, to require a party to proceedings before him to give security for costs, in relation to those proceedings or to proceedings on appeal, and as to the consequences if security is not given."

Rule 68 of the Trade Marks Rules 2008 ("the Rules") states:

> "(1) The Registrar may require any person who is a party in any proceedings under the Act or these Rules to give security for costs in relation to those proceedings; and may also require security for the costs of any appeal from the registrar's decision.
>
> (2) In default of such security being given, the registrar, in the case of the proceedings before the registrar, or in the case of an appeal, the person

appointed under section 76 may treat the party in default as having withdrawn their application, opposition, objection or intervention, as the case may be."

It is of note that the Registrar can require any party to proceedings to pay security for costs.

In *Lagoniassa's Application* O/084.20, the approach to be taken to the question of security for costs was set out as follows:

"22. Although not bound by the same, the Registrar in exercising his tribunal powers under the Act and Rules adheres to the overall objective underlying the Civil Procedure Rules of dealing with cases justly and proportionately (CPR, r. 1.1). Security for costs are provided for in Rule 25.12 – 25.15 of the CPR. The conditions to be satisfied for the court to make such an order include where there is reason to believe a company will be unable to meet a costs order made against it but the court must also be satisfied, having regard to all the circumstances in the case, that it is just to make such an order (r. 25.13). The same considerations apply to making a security for costs order on appeal (r. 25.15).

23. Discretionary factors may include the amount(s) of security for costs claimed, the prospects of success in the main proceedings, any delay in applying for security and access to justify considerations (*Keary Developments Ltd v. Tarmac Construction Ltd* [1995] 3 All ER 534, Peter Gibson LJ at 539, recently reviewed in *Goldshine Trade Limited v. Revenue and Customs* [2019] UKUT 229 (TCC)). In *Amy Nasser v United Bank of Kuwait* [2001] EWCA Civ 556, the Court of Appeal recognise that when determining an application for security for costs, the tribunal was obliged to act compatibly with Article 6 of the European Convention on Human Rights guaranteeing the right of a fair and public hearing (Mance LJ at paras. 37 – 38)."

The evidence of Mr Snell demonstrates that there have been two previous cases before this Tribunal (O/631/22 and O/630/22) in which costs have been awarded against the companies of which the proprietor is the sole director, and that in both of

those cases the cost award has not been paid. The applicant's representatives acted for the successful party in the first of these cases. The cost award in that case was due to be paid by 12 September 2022 (after the expiry of the appeal period) and so the applicant's representative was, of course, aware that these costs had not been paid. Neither the applicant nor their representative were involved in the second case. However, Mr Snell confirms that he was informed over the telephone by the representative in that case on 13 February 2023 that costs had not been paid by Mr Afonin's company.

As Mr Harris submitted at the hearing, this appears to be a pattern of behaviour on the part of Mr Afonin (and companies under his sole control), that costs awards are not being met. Whilst I recognise that the previous two orders were made against companies and not the proprietor himself, given that he was the controlling mind behind them, this calls into question whether Mr Afonin himself will be forthcoming with payment of any costs award made against him personally.

I am satisfied that there is reason to believe that the proprietor will be unable to meet a costs order made against him.

However, that is not the end of the matter, as noted in *Douglas of Drumlanrig TM* O/380/20, when the Appointed Person stated:

> "16. The fact a party cannot necessarily pay a cost award is not the end of the matter. The power to require security for costs is discretionary and so should only be exercised where it is just and proportionate to give an order: see *Largoniassa's Application* (O/84/20) paragraph 28."

Firstly, I note that the applicant claims security in the sum of £4,500. No breakdown is provided for this amount, but the applicant states that this would be appropriate because it was the amount that was awarded in the first of the above mentioned cases. I note that the amount awarded in the second case was £1,800. Clearly, costs must be decided on a case-by-case basis, and the costs suitable in one case may not be the same as another. In my view, the amount claimed is rather high.

Secondly, regarding the prospects of success, I am mindful that it is not appropriate, at this stage, to conduct a detailed assessment of the merits of the case. I have reviewed the pleadings and I am satisfied that the applicant has a reasonable prospect of success.

Thirdly, I am mindful of the promptness with which this application was made. On the face of it, there appears to be quite a significant time delay between the filing of the Form TM26Is (filed on 13 August 2021) and the filing of the application for security (13 February 2023). Indeed, this is a period of 18 months. However, I note that the unpaid costs award in the first case referred to above did not fall due until 12 September 2022, some 5 months before the application for security. Nonetheless, this period represented a fairly significant delay, in my view. I raised this with Mr Harris at the hearing. Mr Harris explained that, as representatives in the first case, they were of course aware that costs had not been paid. However, they were not involved in the second case referred to above and it was only on 13 February 2023 that they received confirmation from the representative in that case that costs had not been paid. It was at this point, Mr Harris says, that the applicant became aware that there was a pattern of behaviour on the part of Mr Afonin (and his associated companies) and this is what prompted the application to be made. This seemed to me, to be a reasonable explanation for the delay in making the application and I consider it to have been made promptly in the circumstances.

The last discretionary factor that I must consider is whether there are any access to justice considerations. Clearly, given the stage at which proceedings have reached, the applicant has already incurred a significant proportion of the costs. I also invited the applicant to confirm whether it would be requesting a main hearing even if security was not granted, or whether it would seek the less costly option of requesting a decision on the papers. The applicant confirmed that it would request a main hearing, irrespective of whether security was granted. I note Mr Harris' submission that, in bad faith cases, given the seriousness of the allegation, it is preferable to have a main hearing.

Taking all of the above factors into account, notwithstanding the fact that the opponent has indicated an intention to pursue a main hearing irrespective of the outcome of the security for costs request, I am prepared to grant security in the sum of £1,800.

I direct as follows:

(1) The proprietor shall, by 3 May 2023 deposit £1,800 into a Trade Marks Registry account to stand as security for the applicant's costs of the proceedings in invalidation nos. 504068 and 504069.

(2) In the event that the proprietor fails to comply with paragraph (1) of this order, its counterstatement in the above invalidations will be deemed withdrawn pursuant to rule 68(2) of the Rules. A decision will then be taken on the basis that the facts set out in the Notices of Invalidation are not disputed.

Yours faithfully

Stephanie Wilson
Trade Marks Registry