

O-127-04

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION No. 16031
FOR A DECLARATION OF INVALIDITY IN RESPECT OF
INTERNATIONAL TRADE MARK REGISTRATION
(UK DESIGNATION) No. 742477 IN THE NAME OF
POWER PIPING INTERNATIONAL BV**

TRADE MARKS ACT 1994

IN THE MATTER OF Application No. 16031 for a declaration of Invalidity in respect of International trade mark registration (UK designation) No. 742477 in the name of Power Piping International BV

BACKGROUND

1. International Trade Mark No. 742477 is for the mark POWERFOAM and it is protected in Classes 6, 11, 17 and 19 for the following specifications of goods:

Class 06:

Ducts, pipes and junctions for pipes of metal as well as parts and accessories therefor, not included in other classes.

Class 11:

Pipes, coils and pipes as parts of sanitary installations as well as parts and accessories therefore not included in other classes, gas pipes and supports therefor not included in other classes.

Class 17:

Pipe couplings, pipe muffs, ducts not of metal as well as parts and accessories therefor not included in other classes.

Class 19:

Pipes and ducts for building purposes, as well as parts and accessories therefor not included in other classes.

2. The mark stands registered from a priority claim date of 16 February 2000.

3. On 6 November 2002 Bergen Power Pipe Supports Inc applied for invalidation of the trade mark. The grounds, as amended, were as follows:

- (i) Under Section 47(1) of the Act because the registered proprietor sought to register the mark in bad faith, contrary to Section 3(6) of the Act, because the applicant for invalidation has used the mark in the UK since at least as early as 1981 and the proprietor had, in the past, served as a local distributor in the UK and elsewhere;

- (ii) Under Section 47(2)(b) of the Act because there is an earlier right in relation to which the condition set out in Section 5(4) is satisfied, in particular Section 5(4)(a) in that the mark in suit is liable to be prevented by the law of passing off.

4. The registered proprietor filed a Counterstatement denying the grounds of invalidity, adding that it was agreed with the applicant's predecessor in title that it had the right to use and register the trade mark POWERFOAM.

5. Both sides filed evidence and asked for an award of costs in their favour. The matter came to be heard on 25 March 2004 when the applicant for invalidity was represented by Mr Pittortou of Barker Brettell and the registered proprietor by Mr Abrahams of Counsel instructed by Gill Jennings Every.

Applicant's Evidence

6. The applicant's evidence consists of an affidavit dated 24 June 2003 by David P Lynch, the Executive Vice President of Bergen Power Pipe Supports Inc (the applicant company).

7. Mr Lynch states that the POWERFOAM trade mark was first used in relation to insulated pipe supports by a predecessor in title to the applicant, namely Power Piping Company, in the USA and elsewhere in 1982 and has been in continued use since that date. He explains that the applicant company is a result of a merger between Power Pipe Supports Inc (which acquired Power Piping Company in 1994) and Bergen-Paterson Pipe-supports Corp in March 2000.

8. Mr Lynch draws attention to Exhibit DPL1 to his affidavit which he states, contains excerpts from the POWERFOAM catalogue/brochure entitled "Powerfoam/PowerSlide Catalog 97P" which was originally published in the 1980s and only had the cover updated in 1997. He adds that this POWERFOAM catalogue/brochure has been distributed in the UK and at Exhibit DPL2 are two examples of a covering letter for such a distribution dating back to 10 March 1982 and 22 June 1982.

9. Mr Lynch explains that Power Piping Company registered the trade mark POWERFOAM in the USA in 1984 and that this trade mark was assigned to Power Pipe Supports Inc in 1994. Supporting exhibits are filed as DPL3 and DPL4.

10. Mr Lynch disputes that the registered proprietor had an agreement with the applicant's predecessor in title to use and register the POWERFOAM trade mark. He refers to Exhibit DPL5 to his affidavit which is a copy of a "Distribution Agreement" between Power Piping Company and the registered proprietor signed on 11 May 1993 and adds that this is the only known agreement between the two parties. Mr Lynch states that although the registered proprietor acted as a distributor for this company as its predecessor in title in selected territories, including the UK, the agreement was

terminated in 1999. He refers to Exhibit DPL6, a copy of a letter from Mr Lynch to Mr Van Ootmarsum of the registered proprietor giving notice of termination dated 7 June 1999. He adds that some further sales were made to the registered proprietor on an ad hoc basis between June 1999 and November 2001 but once the agreement was terminated his company sold the product in the UK under the POWERFOAM trade mark.

11. Mr Lynch describes the background to the current proceedings as follows:

- (i) The POWERFOAM trade mark was developed as a result of Power Piping Company deciding to expand their product line to include pre-insulated supports in 1980. They hired a chemist named Mr Milton Litz and employed his new method of producing urethane supports. To safeguard their investment Power Piping asked their long time employee, Jim Bonetti, to learn everything he could about the urethane formulation, the manufacturing process and the marketing and sales of the product. By the middle to end of 1981 the manufacturing line was set and production was beginning.
- (ii) Also around the middle to end of 1981, Mr Litz introduced Mr Robert Van Ootmarsum to Power Piping. Mr Van Ootmarsum provided consultancy services and then acted as a procurement channel for the product. It was not very long until the competition explained to the customers of Power Piping Company the conflict of interest with Mr Van Ootmarsum's position as both an insulation consultant and an agent/distributor for POWERFOAM insulation. Towards the end of the 1980s, around 1988 or 1989, and in an effort to isolate his agent/distributor status and avoid compromising his position due to this perceived conflict of interest, Mr Van Ootmarsum formed Power Piping International, BV (the Registrant) to act as an agent/distributor for the POWERFOAM product. This name was selected to take advantage of the synergy of the name "Power Piping."
- (iii) Whilst the Registrant was responsible for sales of the applicant's product in the UK, Mr Lynch's company took its own active steps to promote its POWERFOAM product in the UK and elsewhere. The applicant actively promoted the product in the UK and key executives travelled several times to the UK.
- (iv) The role of the Registrant was merely to promote and sell the POWERFOAM product in selected territories including the UK. It was made very clear to all prospective clients that the POWERFOAM insulation product was manufactured from a proprietary chemical formulation at the applicant's plant in Donora, Pennsylvania, USA. The Registrant's own literature specifically identifies that the POWERFOAM product is made in the USA. The applicant, as manufacturer of the

POWERFOAM product regularly provided field services engineering and quality personnel to visit client jobsites to resolve any quality issues.

- (v) The product sold under the POWERFOAM name is produced with a proprietary formulation that no one has access to. This proprietary formulation was developed by Mr Litz when he came to Power Piping in 1980. Extensive testing was done on the molded urethane pipe support product produced with this formulation and the test results were widely distributed since the late 1980s. A number of engineering firms and owners have specified on their support drawings where a urethane support is required “POWERFOAM or equivalent”. A number of prestigious engineering firms in Europe readily recognise the name POWERFOAM as a high quality molded urethane product. If they purchased the POWERFOAM product, they would expect to receive the product manufactured by the applicant. The market that both the applicant and the registered proprietor pursue is both small and specialised, but the value of this market is estimated to be approximately \$20 million worldwide per annum.

12. Mr Lynch concludes that the dispute over the ownership of the POWERFOAM trade mark is a direct result of a twenty year business relationship that has ended following disagreements with Mr Van Ootmarsum over the future direction of the applicant company.

Registered Proprietor’s Evidence

13. The registered proprietor’s evidence comprises a witness statement by Robert Van Ootmarsum dated 6 August 2003. Mr Van Ootmarsum is a director of Power Piping International BV (the registered proprietor).

14. Mr Van Ootmarsum explains that there is a long history behind the proceedings and he draws attention to Exhibit RVO1 to his statement, which is a copy of a letter dated 7 February 2003, written by Casper Van Ootmarsum (a director of the registered proprietor company) to Carpenter & Paterson UK Ltd who are now the applicant’s distributor in the UK which sets out a chronology of events from the early 1980s. The letter is lengthy and detailed and reference is made to a company Insulation Consulting and Procurement Services Holding BV (ICPS) of which Mr Van Ootmarsum states he is a director. Mr Casper Van Ootmarsum’s terminates his letter by setting out the following conclusions:-

- “? It can be very clearly proven and documented that – in the past 17 years both ICPS and Power Piping International BV (both fully owned by Mr H Robert Van Ootmarsum) were the only companies which have invested heavily in establishing and promoting the name of POWERFOAM™ in the market outside of the USA.

- ? ICPS BV received a formal approval (can be documented) from the Director Sales and Marketing of the former Power Piping Co Inc Mr M B Litz to use the Power Piping International BV name and to register its name and that of POWERFOAM™ in the assigned territory.
- ? Neither Power Piping Inc. USA nor Power Pipe Supports Inc, dba Bergen Power themselves after the management buy-out spent any time and money in the promotion of the POWERFOAM™ product outside of the USA and left investments for the promotion, sales and marketing of the POWERFOAM™ product to both ICPS and Power Piping International BV.
- ? Neither Power Piping Inc, USA nor Power Pipe Supports Inc. invested in the very expensive travelling required to promote, market and sell the product in both the EEC and Far and Middle East.
- ? Even in their own country (USA) the POWERFOAM™ product could not be sold by either Power Piping Inc or Power Pipe Supports Inc. dba Bergen Power which resulted in a very negligible contribution to the POWERFOAM™ sales. (Can be documented)
- ? It is clear that Power Pipe Supports Inc. dba Bergen Power recognized that the name POWERFOAM™ could not be used for the UK market in their relation with Power Piping International BV and decided for that reason only to use the name THERMAFOAM through the Carpenter & Paterson relation. Indeed the use of the name POWERFOAM™ for the Cold-shoe product was exclusively reserved for Power Piping International BV through the existing contract.
- ? Only after relations between Power Pipe Supports Inc. dba Bergen Power and Power Piping International BV were served due to the many contractual violations by Power Pipe Supports Inc dba Bergen Power, it became of imminent importance to Power Piping International BV to protect their colossal investments in the promotion, marketing and POWERFOAM™ product sales and register the name in the UK and by doing so protecting its livelihood.
- ? Based upon the above we refuse to offer Power Pipe Supports Inc. dba Bergen Power a possibility to piggyback on the approximately 17 years of investments made by ICPS and Power Piping International BV and use the POWERFOAM™ name in the UK market where we received official registration in our name.
- ? We obviously need to accept that the joint venture between Carpenter and Paterson UK Ltd and Power Pipe Supports Inc. dba Bergen Power can and

may use the name THERMAFOAM to compete with POWERFOAM™ as they have done in the past.”

15. Mr Robert Van Ootmarsum then goes on in his statement to comment on the issues. He states that his company has built up a significant reputation in the goods sold under the POWERFORM trade mark in the UK, with the value of the UK order for POWERFOAM products amounting to approximately US \$4,000,000. Mr Van Ootmarsum lists the following UK companies with whom the registered proprietor has “built up relations” –

M V Kellogg	Air Products
Bechtel (UK)	Fluor (UK)
Stone & Webster	Noel/Shessoie
Costain	Snam Progetti

16. Mr Van Ootmarsum states that his company contributed all monies to promote, market and sell products under the POWERFOAM name outside the United States, leading to the fact that 65% of all sales were provided via his company. He goes on to refer to Exhibit RVO2 (which is a reference list detailing the projects in which products under the trade mark POWERFOAM were used) upon which he has marked those companies who were (or are) customers of his company by writing POWINT against the relevant names. The remaining customers are those of the applicant. Two of those companies appear to be located in the UK and both are claimed as customer of the registered proprietor.

17. Mr Van Ootmarsum goes on to state that, in addition to the sales, his company has been extremely active in marketing the products under the trade mark, attending numerous conferences throughout Europe and the world promoting the business. He states that visiting the United Kingdom for meetings, seminars and presentations started in 1982, since when the registered proprietor would visit the United Kingdom every quarter, spending one week contacting engineering and contracting companies to promote the business, resulting in numerous orders directed to the regional proprietor for the supply of products under the POWERFOAM trade mark. Mr Van Ootmarsum adds that orders received from customers were processed by his company resulting in it handling all technical, contractual, and financial matters, including after sales services. In turn, the orders were sub-contracted to the applicant so that in essence they performed the function of a supplier. He says that at all times the customer would liaise and deal with his company and would have no direct contact with the applicant.

18. Mr Van Ootmarsum explains that there is a great deal of history between the organizations which are the parties to these proceedings, adding that although Mr Lynch is correct when he says that the twenty year business relationship ended, his comments regarding the chronology do not take into account the amount of time and effort put in by the registered proprietor in developing and promoting the business. Furthermore, Mr Van Ootmarsum states that they do not deal with the precise circumstances leading to the termination of the relationship, in particular, the breach of contract by the applicant as

outlined in Exhibit RVO1. He adds that as, demonstrated by the letter in Exhibit RVO1, it was his company that was the driving force behind the business and although the terms “agent/distributor” are used, the fact is that the relationship went far beyond that of an agent/distributor, notwithstanding the distribution agreement of 11 May 1993. For example, the marketing trips outside Europe and promotion of the business go beyond that found in a mere principal/agent relationship as does his company’s investment of \$100,000 in the share capital of Power Pipe Supports Inc. together with a loan of \$25,000 to which the letter of 7 February 2003 (Exhibit RVO1) refers.

19. Mr Van Ootmarsum states that in light of the relationship between the parties there was an agreement between the parties’ predecessors in title that, his company, when formed, would use and register the name POWERFOAM in the United Kingdom (amongst other countries). He draws attention to Exhibit RVO3 to his statement, which is a letter dated 14 June 1987 from himself to Mr Litz of Power Piping Company setting out the agreement reached between the parties. He adds that there was no rejection by Power Piping of the terms, nor have they been queried at any subsequent time until now. He concludes that his company was fully justified in registering the trade mark and adds that the distribution Agreement was not the only agreement between the two companies and that in any event, the distribution agreement was in relation to the distribution of the product; it is not a trade mark licence and as such is not relevant in terms of the trade mark issue to be decided.

20. Mr Van Ootmarsum goes on to submit that his company was justified in proceeding with the application in 2000, given the time, money and effort expended by his company in promoting and selling products under a trade mark in the United Kingdom which led to the mark becoming synonymous with his company, taking into account the applicant’s inactivity under the mark in the United Kingdom/Europe. He states that the application was not made in bad faith as it was registered to protect a legitimate business interest build up over a number of years as customers in the United Kingdom would associate the POWERFOAM trade mark with the registered proprietor, not with the applicant, especially as his company was the first to use the trade mark in the United Kingdom.

21. Turning to Mr Lynch’s comments on the termination of the distribution agreement, Mr Van Ootmarsum states that sales of POWERFOAM products were made to his company in June 1999 and November 2001 and that this is at odds with Mr Lynch’s claim that the registered proprietor decided to compete against the applicant in 1999. In relation to the sale of identical products by Carpenter and Patterson under the trade mark THERMAFOAM, Mr Van Ootmarsum submits that this confirms that the applicant did not consider that it could market products under the trade mark POWERFOAM in the UK and implies at the very least an abandonment of any rights in it. The distribution licence to which Mr Lynch refers was just this, a distribution licence for products. The fact that it was exclusive did not preclude the applicant using the mark in the UK, as would an exclusive licence for the use of a trade mark.

22. Mr Van Ootmarsum submits that the applicant has not adduced any evidence of its use of the trade mark in the UK. He points out that no evidence of sales eg figures,

invoices or customers have been provided, and adds that the travels of the applicant's employees to the UK were organised and planned by ICPS as the registered proprietor and that in the UK visits to jobs on site were performed by the registered proprietor.

23. Finally, Mr Van Ootmarsum states that while Mr Lynch is correct in stating that the filing of the trade mark application by the registered proprietor resulted from the termination of the business relationship, it is entirely understandable that, once the business relationship broke down, the registered proprietor looked to register the mark in suit to protect its legitimate business interests.

Applicant's Evidence in Reply

24. This consists of a second affidavit by David P Lynch of Bergen Power Pipe Supports Inc. (the applicant), which is dated 22 September 2003. He states that there are many comments in Mr Robert Van Ootmarsum's witness statement which are incorrect.

25. With regard to the letter of 14 June 1987 from Mr Van Ootmarsum to Mr Litz (Exhibit RVO3), Mr Lynch states that Mr Litz died a number of years ago, so the alleged verbal agreement between Mr Litz and Mr Robert Van Ootmarsum (to which Mr Van Ootmarsum refers in his letter to Mr Litz on 14 June 1987) cannot be verified. Mr Lynch adds that what is certain is that Mr Litz was never an Officer of Power Piping Company and he was never empowered to make decisions that would dispose of any assets of Power Piping Company. His company is not aware of any communications from Mr Litz to Mr Van Ootmarsum concerning the alleged agreement. Mr Lynch goes on to state that the letter does not represent an agreement between the parties and that no such agreement exists.

26. Mr Lynch submits that the POWERFOAM name is synonymous with a specific product manufactured by his company due to its outstanding insulation qualities and its mechanical and physical properties. He contends that for Mr Van Ootmarsum to offer another product under the name POWERFOAM is a deceptive practice.

27. Turning to the sales and marketing of the POWERFOAM product, Mr Lynch states that this company's International Sales Manager, Mr Robert Armour, lived in the UK for 2 years supporting the efforts of Power Piping International BV and promoting the use of the POWERFOAM product. He adds that Mr Armour, along with himself, Mr Culkin and Mr Bonetti, attended numerous LNG conferences and GASTECH's where his company actively promoted the POWERFOAM product. Mr Lynch states that Mr Van Ootmarsum is incorrect when he says that his company contributed all monies to promote, market and sell products under the POWERFOAM name outside the United States. Mr Lynch states that his company subsidized Mr Van Ootmarsum's marketing efforts in numerous instances and has been active and is still active in the marketing of the POWERFOAM product on an international basis.

28. Mr Lynch also explains that rather than simply act as supplier, his company had direct dealings with the proprietor's customers on numerous occasions and there were

many instances where his company would deal directly with the customers Quality Assurance/Quality Control department and with their engineers and expeditors.

29. Turning to Exhibit RVO1 to Mr Van Ootmarsum's statement, Mr Lynch states that the letter in question contains numerous erroneous and misleading statements. He submits that it should be given no weight as its contents should have been the subject of a separate affidavit, statutory declaration or witness statement from Mr Casper Van Ootmarsum himself.

30. In relation to Mr Van Ootmarsum's efforts on the development of the applicant company and its interests, Mr Lynch states that he was doing no more than performing his duties in accordance with a contractual relationship.

31. Mr Lynch denies that Mr Van Ootmarsum's company contributed all the monies to promote, market and sell products under the POWERFOAM name outside the USA. Mr Lynch states that Power Piping Company and Power Pipe Supports Inc. subsidized some of the marketing efforts and took out a full page advertisement in the Hydrocarbon magazine. He adds that his company had documented requests from potential international customers asking for information as a result of the advertising and he refers to Exhibit DPCII 1 to his affidavit which consist of seven inquiry reports from readers resulting from the advertisement in Hydrocarbon Processing which date from November 1989 to May 1980 and which include a request from Foster Wheeler Energy in the UK.

32. Mr Lynch also denies that customers would always liaise and deal with Mr Van Ootmarsum's company and he draws attention to a number of projects in Bintulu, Trinidad, Nigeria, Bulgaria and Japan where the applicant's employees visited projects.

33. Turning to Mr Van Ootmarsum's claim that the POWERFOAM product had become, in the UK, synonymous with the registered proprietor, Mr Lynch states that POWERFOAM is synonymous with a quality product manufactured by the applicant.

34. Mr Lynch states that his company sold the POWERFOAM product to the registered proprietor because it was sound business to do so. Although the companies are competitors, the applicant made a decision to sell the POWERFOAM product to Mr Van Ootmarsum's company as long as both companies were not submitting a proposal for the same inquiry.

35. Mr Lynch submits that Mr Van Ootmarsum in his statement ignores the marketing and sales efforts in the UK of the applicant. Mr Lynch states that his company's Mr Robert Armour spent two years in the UK and Europe promoting the product lines, including the POWERFOAM product and also Mr Bonetti was active in marketing and sales and called on customers throughout the UK in the 1980s. Furthermore, Mr Lynch claims that the registered proprietor made the arrangements for some of the GASTECH conferences and paid for all the expenses incurred by the company. He emphasized that his company either paid its expenses directly or reimbursed Mr Van Ootmarsum's company for its share of the expenses.

36. Mr Lynch concludes by submitting that the relevant public were, at all times, aware that the POWERFOAM product was manufactured by the applicant and that the registered proprietor was merely a distributor.

37. This completes my summary of the evidence filed in this case. I turn now to the decision.

DECISION

38. Prior to the hearing the applicant withdrew the Section 47(2)(b) ground based upon Section 5(4)(a) of the Act because, to quote Mr Pittortou's skeleton argument – "it is acknowledged that insufficient evidence has been submitted by the applicant to support this ground". However, the applicant made it clear that it makes no concession in relation to goodwill and claims that all goodwill in the POWERFOAM mark rests with the applicant.

39. I now turn to the remaining ground which is based upon Section 3(6) of the Act.

40. Section 47(1) of the Act follows:

"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)."

41. 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."

42. Section 72 of the Act is also relevant. It is as follows:

"In all legal proceedings relating to a registered trade mark (including proceedings for rectification of the register) the registration of a person as proprietor of a trade mark shall be prima facie evidence of the validity of the original registration and of any subsequent assignment or other transmission of it."

43. This means it is for the applicant for invalidation to show that the trade mark was registered in bad faith.

44. In *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* 1999 RPC 367, Lindsay J considered the meaning of "bad faith" in s3(6) of the Act and stated (at page 379):

"I shall not attempt to define bad faith in this context, plainly it includes dishonesty, and as I would hold, includes also some dealings which fall short of the standards of acceptable commercial behavior as observed by reasonable and

experienced men in the particular area being examined. Parliament has wisely not attempted to explain in detail what is or is not bad faith in this context; how far a dealing must so fall-short in order to amount to bad faith is best left to be a judged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the act but the paraphrase) but by reference to the words of the act and upon a regard to all material surrounding circumstances.”

45. Commenting on this passage from *Gromax* Mr Geoffrey Hobbs QC, acting as the Appointed Person, stated in *Demon Ale Trade Mark* 2000 RPC 355,

“These observations recognize that the expression “bad faith” has moral overtones which appear to make it possible for an application for registration to be rendered invalid under Section 3(6) by behaviour which otherwise involves no breach of any duty, obligation, prohibition or requirement that is legally binding upon the applicant.”

46. Thus, dishonest behaviour is characterized by intention and/or recklessness. Such conduct would clearly be bad faith. It is also obvious, however, from the *Gromax* judgement, that bad faith also describes business dealings which, though not actually dishonest, still fall short of the standards of acceptable commercial behaviour. This includes conduct that is not knowingly fraudulent or illegal, but may be regarded as unacceptable or less than moral in a particular business context and on a particular set of facts. In *Demon Ale Trade Mark* [2000] RPC 355, the Appointed Person said:

“I do not think that Section 3(6) requires applicants to submit to an open-ended assessment of their commercial morality. However, the observations of Lord Nicholls on the subject of dishonesty in *Royal Brunei Airlines Sdn Bhd v Phillip Tan* [1995] 2 AC 378 (PC) at page 389 do seem to me to provide strong support for the view that a finding of bad faith may be fully justified even in a case where the applicant sees nothing wrong in his own behaviour.”

47. I also take into account the comments of Mr Simon Thorley QC acting as the Appointed Person in *R v Royal Enfield Trade Marks* [2002] RPC 24 at paragraph 31 where he said:

“An allegation that a trade mark has been applied for in bad faith is a serious allegation. It is an allegation of a form of commercial fraud. A plea of fraud should not lightly be made (see Lord Denning M.R. in *Associated Leisure v Associated Newspapers* [1970] 2 Q.B. 450 at 456) and if made should be distinctly alleged and distinctly proved. It is not permissible to leave fraud to be inferred from the facts (see *Davy v Garrett* (1877-78) L.R. 7Ch.D 473 at 489). In my judgement precisely the same considerations apply to an allegation of lack of good faith made under Section 3(6). It should not be made unless it can be fully and properly pleaded and should not be upheld unless it is distinctly proved and this will rarely be possible by a process of inference.”

48. The following passage from the publication “Notes on Sections” to the Trade Marks Act 1994, which were prepared to explain the draft provisions of the Bill during its passage through Parliament, is also relevant. In relation to Section 3(6) the Notes state:

“Sub-section (6) declares that a trade mark is not registrable if the application for registration for the trade mark was made in bad faith. The provision does not attempt to indicate what is meant by “bad faith”, thereby leaving it to the Registrar or the Courts to decide in a particular case what amounts to bad faith. Examples of circumstances where bad faith might be found are:

- i. Where the applicant had no bona fide intention to use the mark, or intended to use it, but not for the whole range of goods and services listed in the application;
- ii. Where the applicant was aware that someone else intends to use and/or register the mark, particularly where the applicant has a relationship, for examples as employee or agent, with that other person, or where the applicant has copied a mark being used abroad with the intention of pre-empting the proprietor who intends to trade in the United Kingdom.”

49. It appears from the comments in ‘Notes on Sections’ that pre-emption was envisaged as an example of bad faith. However, I bear in mind that in *Wagamama* 1995 FSR, page 713, Laddie J. noted that the Act was primarily intended to implement First Council Directive 104/89 to approximate the trade mark laws of Member States. Accordingly, the ‘Notes on Sections’ represents no more than an indication of what Parliament believed the intention of the Directive to be. In relation to those provisions of the Act which are based upon the Directive (of which Section 3(6) is one), the ‘Notes on Sections’ cannot, therefore, be taken as a decisive interpretation of the meaning of the Act.

50. Nevertheless, the contents of the ‘Notes on Sections’ appears to have found favour with the Cancellation Division of the Office for the Harmonisation of the Internal Market (Trade Marks and Designs) (OHIM). In the decision of the First Cancellation Division dated 25 October 2000 in relation to an application to cancel a Community trade mark registration for the mark BE NATURAL, the cancellation division stated that:

“Since the UK Act does not itself define the term bad faith, an interpretation is given in the Notes on Sections, published by the UK Patent Office. Said Notes provide examples of bad faith, such as:

‘Where the applicant was aware that someone else intends to use/or register the mark, particularly where the applicant has a relationship, for example his employee or agent, with that other person, or where the applicant has copied a mark being used abroad with the intention of pre-empting the proprietor who intends to trade in the United Kingdom.’”

51. If the “United Kingdom” is replaced by “European Union”, the UK Office’s interpretation very well may also serve as a basis for interpretation of Article 51(1)(b) CTMR.

52. At the hearing I informed both parties of my view that much of the evidence submitted in this case amounted to little more than unsupported assertion. Furthermore, neither party applied to cross examine the other’s witnesses. As a consequence I have little alternative but to form a view as to the weight and significance that should be given to the evidence in relation to the positions adopted to the parties.

53. The relevant facts, insofar as I am able to ascertain, are as follows –

(i) The POWERFOAM trade mark was first used in relation to insulated pipe supports by Power Piping Company (a predecessor in title to the applicant) in the USA in 1982, who subsequently registered the POWERFOAM trade mark in the USA in 1984.

(ii) A “Power Piping Company Facilities” Catalogue/Brochure was distributed in the UK from 1982 onwards. Examples of two letters sent by Mr Litz (the Director of Process Products and Marketing of Power Piping Company) to UK companies, in 1982, which accompanied the catalogue, are at Exhibit DPL2 to Mr Lynch affidavit of 24 June 2003. The example catalogue (at Exhibit DPL1) is dated 1997 but is said to be similar to the 1980s versions.

(iii) In the early 1980s Mr Robert Van Ootmarsum (a subsequent director of the registered proprietor) provided consultancy services and acted as a procurement channel for products of Power Piping Company. Towards the end of the 1980s Mr Van Ootmarsum formed Power Piping International BV (the registered proprietor) to distribute products including the POWERFOAM product, made by the applicant and its predecessor in title in the UK and elsewhere, but not the USA.

(iv) It is not disputed by the parties that sales have taken place in the UK under the POWERFOAM trade mark. Mr Van Ootmarsum states that the value of UK orders for POWERFOAM products amount to approximately \$ US 4,000,000 and that relations have been “built up” (whatever this means) with certain specified UK companies. Furthermore, at Exhibit RV02 to his witness statement, Mr Van Ootmarsum provides a list of projects on which POWERFOAM products were used and two of these projects are situated in the UK.

(v) Notwithstanding the above, there is no supporting evidence of any actual or specific sales in the UK by either party, nor any actual evidence showing how the mark is promoted.

(vi) On 14 June 1997 Mr Robert Van Ootmarsum wrote to Mr Litz, the Power Piping Company’s Director of Sales and Marketing. A copy of this letter is at

Exhibit RV03 to the witness statement of Mr Van Ootmarsum. Mr Van Ootmarsum's letter followed a telephone conversation with Mr Litz (now deceased) to confirm Mr Litz's agreement that Power Piping Company (the applicant's predecessor in title) had no objection to Mr Van Ootmarsum establishing a company with the name Power Piping International B.V. which would be allowed to use the Power Piping logo and also register the name POWERFOAM. There is no record of any response or reply.

(vii) Power Piping Company and Power Piping International BV entered into a "Distribution Agreement" on 11 May 1993 (a copy of which is at Exhibit DPL5 to Mr Lynch's witness statement of 24 June 2003). Under this agreement Power Piping International BV is acknowledged as having "invested heavily to acquire large scale worldwide contacts in the insulation market outside North America" and will in accordance with the agreement "promote and sell" the products of Power Piping Company in a number of territories, including the UK, as an agent and in relation to insulated pipe supports as an agent/distributor of Power Piping Company. There is no specific mention of the POWERFOAM trade mark as such.

(viii) On 7 June 1999, Mr Lynch, on behalf of the applicant company, wrote to Power Piping International BV (copy letter at Exhibit DPL6 to Mr Lynch's affidavit of 24 June 2003), terminating the agreement with notice. The letter contains a statement that "we are prepared to supply your company POWERFOAM products under mutually agreeable terms and conditions into the future on a non-exclusive basis".

(ix) On 16 February 2000 (following the expiration of the notice period) Power Piping International BV applied to register the mark in suit which now stands registered.

54. It is common ground between the parties that the POWERFOAM trade mark has been used in the UK for a considerable period prior to the relevant date for these proceedings. Accordingly, in the particular circumstances of this case, it seems to me that in order to make out a prima facie case of bad faith, the applicant must show that the registered proprietor:

(i) could not have reasonably believed that it possessed goodwill in the POWERFOAM mark in the UK; and

(ii) applied to register the POWERFOAM trade mark to take unfair advantage of the applicant's plans for the UK market following the termination of "the agreement" between the parties.

55. I turn to the position of goodwill under the POWERFOAM mark. The applicant concedes that on the evidence filed in this case it cannot demonstrate that it possesses goodwill in the mark – see paragraph 38 of this decision.

56. At the hearing, Mr Abrahams on behalf of the registered proprietor submitted that as the mark had been used in the UK it followed that the goodwill must rest with the registered proprietor. He drew my attention to *Scandecor Development AB v Scandecor Marketing AB* [1999] FSR at 39, where the Court of Appeal said in relation to questions on the ownership of goodwill:

“The legal response is that this problem, if not solved by agreements, is ultimately solvable only by factual enquiry with all the disadvantages of the length of its duration, the cost of its conduct and the uncertainty of its outcome. There are no quick, cheap or easy answers to be found in hard and fast legal rules, in binding precedents or in clear-cut factual and legal presumptions.”

and also paragraph 42 of that decision, which states:

“In relation to the disputed goodwill, what matters is the identity of the person carrying on the trading activities in the local territory with the retailers: with whom do they associate the trade mark?”

57. Mr Abrahams contended that in the present case, UK customers did business with the registered proprietor, from whom they obtained their POWERFOAM goods and with whom they therefore associated the trade mark. However, in my view the contentions of Mr Abrahams are not supported by the evidence filed. There is no satisfactory evidence which goes to actual use of the mark, no evidence of any actual (specific) sales and no evidence (apart from assertion) which goes to reputation. In particular there is no evidence from the trade, customers or third parties. In the context of the evidence it is useful to refer to the comments of Pumfrey J in the case of *South Cone Inc v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer* (a partnership) [2002] RPC 19:

“There is one major problem in assessing a passing off claim on paper, as will normally happen in the Registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the Registrar is entitled to be presented with evidence which at least raises a prima face case that the opponent’s reputation extends to the goods comprised in the applicant’s specification of goods. The requirements of the objection itself are considerably more stringent than the enquiry under Section 11 of the 1938 Act (see *Smith Hayden (OVAX)* (1946) 63 RPC 97 as qualified by *BALI* [1969] RPC 472). Thus the evidence will include evidence from the trade as to reputation; evidence as to the manner in which the goods are traded or the services supplied; and so on.

Evidence of reputation comes primarily from the trade and the public, and will be supported by evidence of the extent of use. To be useful, the evidence must be directed to the relevant date.”

58. On the facts before me I have no hesitation in finding that neither party has established goodwill in the POWERFOAM trade mark.

59. Mr Abrahams went on to place considerable emphasis on the letter of 14 June 1987 from Mr Robert Van Ootmarsum to Mr Litz. Mr Abraham pointed out that Mr Litz was a senior official of Power Piping Company with responsibility for marketing. Accordingly, Mr Abrahams submitted that on the basis of Mr Van Ootmarsum's letter and the lack of any response thereto, it was reasonable for Mr Van Ootmarsum to conclude that consent had been given to the new company (Power Piping International BV) registering POWERFOAM.

60. On behalf of the applicant, Mr Pittortou pointed out that the letter was not subject to a response by the applicant and pre-dated the 1993 Agreement between the parties, following which it would have not been commercially sensible for the registered proprietor to believe that they could register the POWERFOAM mark when the agency and agency/distribution agreement was obviously potentially temporary ie. it was valid for a minimum period of three years only and could be terminated thereafter. Furthermore, the letter of termination in 1999 specifically referred to the POWERFOAM mark and the supply of products under the mark by the applicant.

61. I go on to consider whether the facts of the present case show that the registered proprietor could not have reasonably believed that it possessed goodwill in the POWERFOAM mark in the UK and whether it applied to register the mark to take unfair advantage of the applicant's plans? It seems to me that the answer is far from clear.

62. The registered proprietor must have been aware that the applicant believed the POWERFOAM trade mark to be its property, particularly following receipt of the letter of termination in 1999. However, it does not automatically follow that the registered proprietor could not have reasonably disagreed with the registered proprietor's view or position. The registered proprietor may have reasonably believed that by registering the POWERFOAM mark it was merely acting to protect its legitimate interests and commercial position because, as stated in the evidence, in its view 'de facto' goodwill in the UK rested with it and not the applicant and also because the relationship between the parties and the efforts of the registered proprietor went well beyond that of mere principal/agent relationship.

63. Turning to the 1993 agreement between the parties, no mention is made of any trade marks, per se. No explanation is provided for this omission. It may have been that the applicant was keen to see its products sold in the UK or elsewhere but that it had no particular concern as to the trade names under which the products were to be sold or supplied or that it was content to leave the matter to Power Piping International B.V. I do not know – the evidence does not show or even provide any real indication as to the position. The evidence filed in this case is of very little assistance.

64. Section 72 of the Act makes it clear that the onus rests upon the applicant for invalidation. It seems to me that the discharging of such onus is of particular significance

in relation to Section 3(6) of the Act as the expression “bad faith” has moral connotations. The Section 3(6) ground constitutes a serious allegation and as stated in *R v Royal Enfield Trade Marks* (mentioned earlier in this decision):

“It should not be made unless it can be fully and properly pleaded and should not be upheld unless it is distinctly proved and this will rarely be possible by a process of inference.”

65. It seems to me that the evidence in this case leaves much to speculation and inference. It is not enough. The burden of showing that, on the balance of probabilities, the registered proprietor acted in bad faith lies on the applicant. In my view the applicant has not discharged this burden. The application for invalidation under Section 3(6) fails.

COSTS

66. The registered proprietor is entitled to a contribution towards its costs. I therefore order the applicant to pay the registered proprietor the sum of £1,800. 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 12th day of May 2004

JOHN MacGILLIVRAY
For the Registrar
the Comptroller-General