

TRADE MARKS ACT 1994

**IN THE MATTER OF Application No 9914
by Cendant Business Answers (Europe) Plc
for the invalidation of the trade mark registration
No 2045372 in the name of 2nd Byte Limited**

Background

1. A series of seven trade marks consisting of the word AUTONET in various forms of presentation were registered on 15 November 1996 in Class 35 in respect of:

Provision of advertising and business information.

2. The application for registration was made on 18 November 1995 by Autofax Ltd. The registration was subsequently assigned to 2nd Byte Ltd.

3. On 16 December 1997, PHH Europe PLC applied for a declaration of invalidity. The name of the applicant has subsequently changed to Cendant Business Answers (Europe) PLC. Nothing turns on this.

4. The grounds for invalidation are:-

"The Mark was registered in breach of Section 3(6) of the Trade Marks Act 1994 in that Autofax Limited had no intention of using the Mark in respect of all the services for which it applied for the Mark to be registered.

In the premises, the Mark should be declared invalid.

Further or alternatively, the Mark is partially invalid. To the extent that the Mark was registered in respect of services other than "the advertisement of second-hand

cars for sale on the Internet", it was registered in breach of Section 3(6) of the Trade Marks Act 1994."

"In Support of the foregoing, the Applicant, PHH Europe PLC, relies on the admission by Mr Jerry Horwood, the Managing Director of Autofax Limited, made in a telephone conversation with Ms Sally Schupke of Chancery Trade Marks that his company had gone to considerable trouble to obtain their registration and would 'wish to keep the specification as broad as possible'."

5. The registered proprietor denies these grounds in the following terms:-

"Save as expressly admitted, the proprietor denies each and every allegation and submission contained in the applicant's Statement of Grounds dated 8 January 1998."

"By way of background the proprietor is a wholly owned subsidiary of FaxPress Limited. FaxPress Limited provides advertising and business information services for the automotive industry."

"As part of the natural development of the services presently offered by FaxPress Limited and the proprietor it is proposed to offer their services on the Internet under the trade mark AUTONET."

"As regards the allegation in paragraph 5 of the applicant's Statement of Grounds the proprietor admits a telephone conversation took place between Mr J Horwood, the Managing Director of AutoFax Limited and Ms S Schupke of Chancery Trade Marks but denies the conversation included an admission of filing the application for the trade mark AUTONET in bad faith and the proprietor puts the applicant strictly to proof thereof."

Notwithstanding the above the proprietor has filed a formal request for the specification of the mark (Registration No. 2045372) to be amended to read:

Class 35: "Provision of advertising and business information in relation to the automotive industry."

6. Both sides seek an award of costs.

7. The matter came to be heard on 14 July 2000 when the applicant for invalidation was represented by J Mellor of Counsel, instructed by Chancery Trade Marks, and the registered proprietor was represented by M Edenborough of Counsel, instructed by Barker, Brettell and Boutland.

The Law

8. The relevant statutory provisions are Sections 47(1), 47(5), 3(6) and 32(3) of the Trade Marks Act 1994. These are produced below:

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).

47-(5) Where the grounds of invalidity exist in respect of only some of the goods or services for which the trade mark is registered, the trade mark shall be declared invalid as regards those goods or services only.

32- (1) An application for registration of a trade mark shall be made to the registrar.

(2).....

(3) The application shall state that the trade mark is being used, by the applicant or with his consent, in relation to those goods or services, or that he has a *bona fide* intention that it should be so used.

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

9. The application for registration contained the statement required by Section 32(3) of the Act. The applicant says that the statement was made in bad faith, at least to a material extent. In support of the correctness of this approach to the law, Mr Mellor relied upon the following words of Mr G Hobbs QC. sitting as the Appointed Person in Demon Ale Trade Mark 2000 RPC 345 at 356.

"In the present case the objection under section 3(6) related to the applicant's breach of a statutory requirement. Section 32(3) of the Act required him to be a person who could truthfully claim to have a bona fide intention that DEMON ALE should be used (by him or with his consent) as a trade mark for beer. His application for registration included a claim to that effect. However, he had no such intention and could not truthfully claim that he did. That was enough, in my view, to justify rejection of his application under section 3(6)."

10. In that case the applicant for registration admitted that he had no intention of using his mark in respect of the only item within the specification - beer. The allegation in this case is rather different. It is apparent from the applicant's pleadings and Mr Mellor's submissions that it accepts that the registered proprietor always intended to use the mark in relation to a subcategory of the services listed in the specification. There is no allegation of dishonesty. The complaint is that although the services of real interest to the proprietor fall within the description registered, the description is excessively general and catches other services in respect of which the proprietor had no bona fide intention to trade. In consequence it is said that the statement on the application for registration is, viewed objectively, false to a material extent.

11. In support of his contention that the test for bad faith is objective, Mr Mellor relied upon the words of Lindsay J. in Gromax 1999 RPC 367 at 379:

"I shall not attempt to define bad faith in this context [sc. of s.3(6)]. Plainly it includes dishonesty and, as I would hold, includes also some dealings which fall short of the standards of acceptable commercial behaviour 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 a matter best left to be adjudged 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."

12. Mr Edenborough accepted that the test could include an objective element, but in his submission, it is primarily a subjective test. Clearly, if the applicant can be shown to have known he was acting dishonestly a finding of bad faith is likely to follow. But there will be other cases where, on the basis of his own state of knowledge, values and standards, an applicant believes he is acting in good faith when most reasonable persons would disagree. It cannot be right for the matter to depend upon the morals and values of the applicant. The test must therefore include an objective assessment of the actions of the applicant in the light of the facts he or she was aware of at the time.

13. My attention was also drawn to two non-use revocation cases that have recently come before the High Court. In both cases the court was faced with an application to revoke a trade mark registration for non-use under Section 46 of the Act. In both cases it turned out that the proprietor had used his mark in respect of a subcategory of a description of goods within his specification. In Premier Brands UK Ltd v Typhoon Europe Ltd and Another (21st January 2000), Neuberger J. said:-

"Mr Arnold raised the question as to how Section 46(5) is to be applied once one concludes, as I have done in relation to the '276 Mark, that it has been used in respect of some of the items for which it is registered, but not in respect of others. It appears to me that one simply looks at the list of items on the register and asks oneself, in relation to each such item, whether or not the mark has been used "in relation to" or "in connection with" that item during the past five years. If the answer is in the affirmative, then the mark can remain registered in respect of that item; if the answer is in the negative then, subject to any question of discretion, the

registration is revoked in respect of that item. One does not dig deeper and, as it were, narrow a particular category of item to reflect the extent of the goods to which the mark has been used. Thus, if the only "domestic ... container" in connection with which the mark had been used was a red tea caddy, it seems to me that the registration should remain in respect of domestic containers: it should not be cut down to, for instance, containers for food, containers for tea, tea caddies, or red tea caddies. First, as a matter of principle, it appears to me that one should take the registration as one finds it. Secondly, as a matter of practice, if the law were otherwise it would lead to uncertainty (as indicated by the example I have just given) and a potential welter of applications for partial revocation. I note that the approach which I favour appears to have been adopted in the Trade Marks Registry in zippo Trade Mark [1999] RPC 173."

14. A month later Jacob J. issued a judgement in the case of Pomaco Ltd v Reed Consumer Books Ltd in which he said:-

"Neuberger J's attention was not drawn to the decision of Laddie J in Mercury Communications ltd v. Mercury Interactive (UK) Ltd [1995] FRS 850. Laddie J was concerned with a very wide specification of goods: "computer programs". In rejecting an application for summary judgment, he took the view that that wide specification could be cut down by a non use attack. In other words, that "computer programs" could be limited to computer programs of a particular part.

I have no doubt that what Laddie J assumed was right and in this respect I differ from Neuberger J. The problem is that some of the language for specifications of goods is apt to be extremely wide. Indeed, "printed matter" in this case is extremely wide. I think it is inevitable that at times one would have to "dig deeper". Even taking the specification considered by Neuberger J for a "domestic container", one can think of quite different sorts of domestic container: a hat box, a snuff box, a jewellery box, a plastic thing you put inside the fridge. Wide words can cover what are commercially quite different sorts of articles. So if one were to show use for just one of that sort, it

would be commercially nonsense to maintain the registration for all goods caused by the wide words.

That is not to say the court will cut the registration right down to things like red tea caddies. But if non use in respect of a significant subset of a wide general description is established, then I see no reason why the court should not eliminate that subset from the specification."

15. The approach that Jacob J. adopted accords with the approach the Registrar has generally taken in non-use cases up until now. In the light of Jacob J.'s comments, and with respect to the views of Neuberger J., I do not envisage that practice changing. However, it should be noted that a reasonable degree of generality can be tolerated. As Jacob J. acknowledges by his reference to "red tea caddies" there is no need for excessive detail in the description of goods/services (in my experience this is rarely the problem).

16. There are important differences between this case and the case before Jacob J. Once a trade mark has been on the register for five years it can be attacked for non use. The onus of establishing use falls on the proprietor by virtue of Section 100. By contrast in an action for invalidation the onus rests on the attacker by virtue of Section 72. Further, in this case I am not directly concerned with the extent of the use made of the mark by the proprietor; it is the original proprietor's bona fides intention at the date of the application that is relevant. Finally, I must not lose sight of the fact that the allegation made is that the statement on the application for registration was made in bad faith. This must be so because Section 32(3) is not itself a ground for invalidation under Section 47, although Section 3(6) is.

17. Because the matter turns on the interaction between section 3(6) (which comes from European Directive 104/89) and section 32(3) (which is a homegrown provision), I do not consider that the case law under the 1938 Act can be decisive.

18. Mr Edenborough submitted that there could be a "middle ground" whereby an applicant could be found to have lacked a bona fide intention to use the mark in respect of each and

every service covered by the description filed, but at the same time the description is sufficiently accurate that (even viewed objectively) the statement of intention to use cannot be said to have been made in bad faith. I believe that Mr Edenborough is correct about this. For example, it is most unlikely that a manufacturer of ovens could be said to have acted in bad faith by making a statement of intention to use his mark in respect of ‘cooking apparatus’. If all he has sold after 5 years of registration is ovens, his specification may be cut down in the event of a non-use attack. But to my mind that does not necessarily mean he made his application for registration partly in bad faith. On the other hand a trader in batteries who makes a section 32(3) statement in respect of ‘electrical apparatus’ may be said to have used a description that is so much wider than his real trading intentions that the statement was partly made in bad faith. I understood Mr Mellor to accept the possibility but he argued that it was not relevant to this case because the applicant's specification was, by any measure, excessively wide compared to the proprietor's real intentions at the relevant time. I will turn to the facts shortly. My conclusions on the law are that:

1. Every application for registration must contain a statement pursuant to Section 32(3) of the Act;
2. The statement must be truthfully made in respect of the goods and services listed in the application;
3. A literally true statement may still give rise to a finding of bad faith where (or to the extent that) a reasonable person with knowledge of the applicant's actual or intended trade under the mark would say that the terms used in the description of goods/services exaggerated the scope of the actual/intended trade to the point where the supporting statement under Section 32(3) was not made in good faith;
4. There is a presumption of good faith and it is for an attacker to establish otherwise.

19. It appears from Section 47(5) and Section 3(6) that an application can be made partly in good faith and partly in bad faith. Where the application is found to have been made partly in bad faith the registration must be declared invalid to that extent.

19. The registered proprietor filed a Form TM23 shortly after these proceedings commenced limiting the specification to:

Class 35: Provision of advertising and business information in relation to the automotive industry.

In the circumstances I need only consider the allegation of bad faith insofar as the statement under Section 32(3) relates to this specification.

The Facts and Decision

20. The evidence filed by the applicant for invalidation consists of two statutory declarations dated 30 March 1999 and 28 October 1999 by Sally Ann Schupke. Ms Schupke is a Trade Mark Agent with Chancery Trade Marks who act for the applicant. The applicant has made its own application to register AUTONET in Class 35. It wanted the registered proprietor to consent to the proposed registration in respect of:

"Management consultancy services and advertising and business information relating to vehicle fleet management".

The registered proprietor felt that this description was apt to cover its own services and it declined to consent. This application for invalidation followed.

21. Apart from this background, Ms Schupke gives evidence of some enquiries she undertook to establish the extent of the proprietor's use of AUTONET. These enquiries produced some evidence of third parties using the name, which both parties now accept is irrelevant. The only relevant piece of evidence is an account of a telephone conversation between Ms Schupke and

Mr Horwood, who filed the application in the name of Autofax Ltd and is also a Director of the current proprietor. The relevant extract from Ms Schupke's evidence is reproduced below:

"On the 19th March 1997 I had a telephone conversation with Mr Jerry Horwood who was the Managing Director of FaxPress Limited and Autofax Limited at the time. During that conversation, he told me about the Autonet service. I asked him about the Autonet mark and challenged him over the very wide scope of the specification of services for which his company had registered the mark. He told me that his company had gone to some trouble to obtain their registration and wanted to keep the specification as broad as possible. I have a distinct recollection of him saying "We want to keep the specification as broad as possible." Because of my involvement in this case, I was particularly struck by what he said. To me, the very clear implication was that he recognised that they were only using the Autonet mark in a very limited way but wanted to keep the specification broad to keep others away from the Autonet mark."

22. The registered proprietor filed a statutory declaration dated 14 July 1999 by Jerry Horwood.. The relevant extracts from Mr Horwood's evidence are re-produced below:

"On 19 March 1997 I had a telephone conversation with Sally Schupke who was the legal representative of PHH Europe PLC. Prior to the telephone conversation I had been in correspondence with Ms Schupke concerning a letter of consent she had requested for her client PHH Europe PLC. I do not recollect the exact wording of the conversation as I did not make a written note for my files. With regard to the quote attributed to myself given in paragraph 4 of Ms Schupke's Declaration I wish to point out that at the time of the conversation I did not believe I should discuss my commercially sensitive plans for the use of the registered mark AUTONET with the legal representative of a potential competitor who themselves were in the process of trying to register the very same mark. I deny that Ms Schupke's interpretation of the conversation is correct. In particular I deny that I recognised we were only using the mark AUTONET in a very limited way but wanted to keep the specification broad to

keep others away from using the mark. I admit that at the time of the conversation I was very concerned that a potential competitor was seeking to register and use the mark AUTONET for services that were very similar to those we were intending to supply under the registered mark AUTONET.”

23. Ms Schupke's second declaration contains a copy of a contemporaneous file note. It is mostly in shorthand. However, a few words are in ordinary English, including "want to keep spec as broad as possible." Mr Mellor pointed out that Mr Horwood has not specifically denied making this statement (although he does dispute Ms Schupke's interpretation of it). I attach little weight to this evidence. I have not been provided with an English version of all that is contained within the shorthand note. Without this I am reluctant to draw an adverse inference from these words, even if Mr Horwood did use them. The words are ambiguous. They could have the meaning Ms Schupke suggests. Alternatively they could simply mean that the proprietor wants to keep the specification as broad as possible because they reflect his future trading intentions. Without knowing more of the conversation and, in particular, the words which preceded and followed the alleged statement, I believe I should be cautious about accepting Ms Schupke's interpretation of Mr Horwood's meaning. After all, she is hardly an independent observer.

24. I note that "advertising" and "provision of business information" appear in the alphabetical list of services in the sixth edition of the International Classification of Goods and Services. The Registrar's practice in 1995 followed this guide. This suggests that these terms are not inherently too broad for inclusion in a specification of services.

25. It was common ground before me that the applicant had to make out a prima facie case of bad faith before the evidential burden shifted to the proprietor. If that is so my initial conclusion is that the applicant has failed to establish a prima facie case and the application fails accordingly.

26. In case I am wrong about that I will look at the remainder of Mr Horwood's evidence. The relevant parts are re-produced below:

"In November 1995 I filed the UK trade mark application no. 2045372 for a series of seven marks 'AUTONET, AutoNet, autonet, Auto-Net, AUTO-NET, Auto-net and Autonet' in respect of "Provision of advertising and business information" proper to class 35. I filed the application in the name of AutoFax Ltd c/o FaxPress Ltd. At the date of the application I was the Managing Director of the company AutoFax Ltd a wholly owned subsidiary of FaxPress Ltd. I filed the application following advice given to me by the Trade Marks Registry. The Registry advised me to draft the specification of services such that it described the services for which the applicant wanted to use the mark. At the time of drafting the specification I honestly believed, in my capacity as a business man, the wording correctly described the services AutoFax Ltd intended to supply under the mark 'AUTONET'."

"On behalf of 2nd Byte Limited I am still involved in discussions with customers regarding the type of business and advertising information they would wish to see provided by our AUTONET service. The surprisingly fast growth of the commercial use of the Internet has now provided a different medium through which the AUTONET services can be delivered. The development of this service is complex both technically and commercially as it involves many separate businesses. I am unable to reveal the specific details of the services because they are commercially sensitive. The development plans for the services have been frustrated significantly, however, by the Declaration of Invalidity application and the greatly protracted invalidity procedure."

"As a result of this procedure and advice given by my trade mark attorney the specification of services was amended to read:

Class 35: "Provision of advertising and business information in relation to the automotive industry".

Following the advice given by my trade mark attorney I accept that the amended specification of services in a more limited way describes the services that I intended

to supply under the mark AUTONET. At the time of the application, however, I honestly believed the wording of the specification defined the services for which the mark was to be used."

"Now produced and shown to me marked "Exhibit 1" is a copy of a confidential information circular that was sent to our customers in 1995. Exhibit 1 details just one of the new services intended to be supplied under the mark AUTONET."

"Now produced and shown to me marked Exhibit 2 are copies of the established 2nd Byte Limited Internet website linked to the address "http://www.AUTO.NET.uk". The copies of the website disclose the wide variety of services my company offers to the automotive industry. Page 3 of Exhibit 2 discloses the present use of the mark AUTONET in connection with used cars. Various advertising and business information services for automotive industry are to be linked with this service."

27. Exhibit 1 is headed "Stock Clubs + AutoNet". Underneath this heading appears the words "For Manufacturers Eyes Only". Stock Clubs are explained as follows:

"Stock Clubs are regional stock locators. Dealers join one or more local Stock Clubs within a franchise (typically 10 - 20 dealers per club).

Dealers in a club share information about each other's stock presented in a very simple compiled printed list, updated weekly."

28. The service to be offered under the mark AUTONET is described as follows:

"AUTONET - PUBLIC ACCESS TO STOCK CLUB INFORMATION

The same lists (regional lists by series, and dealers' own lists - but with retail prices rather than private club prices) are made available to the public via Fax-On-Demand and the Internet."

29. Exhibit 2 does not add materially to the information contained in Exhibit 1 except that it confirms that there has been some use of the AUTONET mark in respect of used cars. Mr Horwood says, rather opaquely, that "*various advertising and business information services for the automotive industry are to be linked to this service.*" His reluctance to expand upon this is explained by this statement that the plans are "commercially sensitive".

30. Intentions are notoriously difficult to assess. My impression is that the intention of the applicant for registration in 1995 was to make available to the public the information relating to motor vehicles that it had previously made available to the motor trade under the mark AUTOFAX.

31. On the evidence, I cannot say with any confidence that the intention did not extend to making the same information available to the trade through a new medium, ie. the Internet. Is the description "Provision of advertising and business information in relation to the automotive industry" inconsistent with this intention to the extent that the statement provided under Section 32(3) can be said to have been made in bad faith? In my view it is not. There is no dispute that the proprietor intended to provide an advertising service. The applicant suggests that this should be limited to used cars, but even if this was a non-use revocation case, I would regard the distinction between advertising used and new vehicles in the "red tea caddies" category. Stock Club type information is undoubtedly "business information" to dealers. I do not consider that the omission of the intended advertising and information medium (the Internet) affects the nature of the proposed services to the extent that, without that reference, the specification and supporting statement were made in bad faith. In any event there is some suggestion in the extract from exhibit 1 that, in 1995, the proprietor was contemplating providing a Fax-On-Demand service to the public under the mark AUTONET.

32. I have therefore reached the conclusion that, even if I am wrong in finding that the applicant has failed to establish a prima facie case, the application for partial invalidation nevertheless fails.

33. The application having failed the registered proprietor is entitled to a contribution towards

its costs. I have considered whether the contribution should be reduced to reflect the fact that the proprietor limited the specification of services after these proceedings commenced, effectively acknowledging that the original specification was too wide in relation to the actual intentions of the original applicant for registration. The applicant for invalidation persisted with its application in the face of this voluntary limitation and the circumstances suggest that the application would still have been made even if the limitation had been included at the outset. I therefore see no reason to adjust the award of costs. I order the applicant to pay the registered proprietor, 2nd Byte Ltd, the sum of £1000. This to be paid within seven days of the end of the period allowed for appeal or, in the event of an unsuccessful appeal, within seven days of the final determination of the matter.

Dated this 26 day of July 2000

Allan James

For the Registrar

the Comptroller General