

O/458/11

**TRADE MARKS ACT 1994**

**IN THE MATTER OF TRADE MARK APPLICATION 2547534  
IN THE NAME OF EMS<sub>c</sub> (UK) LIMITED  
IN RESPECT OF THE FOLLOWING TRADE MARKS IN CLASS 9:**

**POWERSTAR  
Powerstar**

**AND**

**OPPOSITION THERETO (NO 100942) BY  
POWERPERFECTOR PLC**

## **THE BACKGROUND AND THE PLEADINGS**

1) This dispute concerns an application by EMSc (UK) Limited (“EMS”) to register the series of two trade marks: POWERSTAR and Powerstar. EMS made its application on 14 May 2010 and it was subsequently published in the Trade Marks Journal on 11 June 2010. The opponent is PowerPerfector Plc (“Perfector”). It should be noted at this stage that Perfector has no issue with the actual marks that EMS seek to register. The issue it has relates to the specification of goods of EMS’ application, which reads (with emphasis added to reflect the terms of concern):

**Voltage optimisation** apparatus, devices, units, equipment, instruments and/or systems; **voltage power optimisation** apparatus, devices, units, equipment, instruments and/or systems; **Voltage Power Optimisation (VPO)** apparatus, devices, units, equipment, instruments and/or systems; apparatus, devices, equipment and instruments for limiting, reducing or regulating voltage; parts and fittings for the above; none of the aforementioned goods being for the operation of electric lamps or luminaries.

2) Perfector’s grounds of opposition<sup>1</sup> are under sections 3(6) and 5(4)(a) of the Trade Marks Act 1994 (“the Act”) and can be summarized as follows:

- i) Section 3(6) – That EMS filed its application in order to support an application for cancellation it has made against Perfector’s community trade marks (“CTM”) which consist of the terms (or similar) highlighted above. It is stated that EMS has cited before OHIM’s cancellation division its filed (and accepted) UK specification as evidence of the generic nature of Perfector’s CTMs.
- ii) Section 5(4)(a) - That Perfector has a goodwill associated with the terms VPO Voltage Power Optimisation and Voltage Optimise. It is claimed that the unnecessary use by EMS of this terminology would give rise to a risk of association with Perfector.

3) EMS filed a counterstatement denying the grounds of opposition. Both sides filed evidence. Neither side requested a hearing, both being content with a decision from the papers (including the written submissions which were filed by both sides).

4) The evidence of both sides focuses, to a large extent, on the descriptiveness, or otherwise, of the specification terms highlighted above. For reasons that will become apparent, I do not intend to provide a detailed evidence summary. All the

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<sup>1</sup> Two other grounds were initially pleaded (3(3)(b) and 3(4)), but these were struck out at an early stage as being untenable.

evidence has, though, been fully considered. I will, instead, draw from the relevant parts of the evidence when dealing with the pleaded grounds.

### **SECTION 3(6) - BAD FAITH**

5) Section 3(6) of the Act states that:

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

6) It is clear that bad faith includes dishonesty and “some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular field being examined”<sup>2</sup>. It is necessary to apply what is known as the “combined test”<sup>3</sup>. This requires me to decide what EMS knew at the time of making its application<sup>4</sup> and then, in the light of that knowledge, whether its behaviour fell short of acceptable commercial behaviour. Bad faith impugns the character of an individual or the collective character of a business, as such it is a serious allegation. The more serious the allegation the more cogent must be the evidence to support it.

7) Further guidance on bad faith can be seen in the decision of Arnold J. in *Hotel Cipriani SRL and others v Cipriani (Grosvenor Street) Limited and others* [2008] EWHC 3032(Ch)<sup>5</sup> where he held:

“189. In my judgment it follows from the foregoing considerations that it does not constitute bad faith for a party to apply to register a Community trade mark merely because he knows that third parties are using the same mark in relation to identical goods or services, let alone where the third parties are using similar marks and/or are using them in relation to similar goods or services. The applicant may believe that he has a superior right to registration and use of the mark. For example, it is not uncommon for prospective claimants who intend to sue a prospective defendant for passing off first to file an application for registration to strengthen their position. Even if the applicant does not believe that he has a superior right to registration and use of the mark, he may still believe that he is entitled

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<sup>2</sup> See *Gromax Plasticulture Limited v. Don and Low Nonwovens Ltd* [1999] RPC 367.

<sup>3</sup> See the judgment in (1) *Barlow Clowes International Ltd. (in liquidation)* (2) *Nigel James Hamilton and (3) Michael Anthony Jordon v (1) Eurotrust International Limited* (2) *Peter Stephen William Henwood and (3) Andrew George Sebastian Privy Council Appeal No. 38 of 2004* and also the decision in *Ajit Weekly Trade Mark* [2006] RPC 25.

<sup>4</sup> The relevant date for the assessment is the date of filing of the application – see *Hotpicks Trade Mark*, [2004] RPC 42, *Nonogram Trade Mark* [2001] RPC 21 and *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*.

<sup>5</sup> Arnold J’s judgment was upheld in the Court of Appeal - [2008] EWHC 3032 (Ch).

to registration. The applicant may not intend to seek to enforce the trade mark against the third parties and/or may know or believe that the third parties would have a defence to a claim for infringement on one of the bases discussed above. In particular, the applicant may wish to secure exclusivity in the bulk of the Community while knowing that third parties have local rights in certain areas. An applicant who proceeds on the basis explicitly provided for in Article 107 can hardly be said to be abusing the Community trade mark system.”

8) In *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* Case C-529/07 the Court of Justice of the European Union (“CJEU”) stated:

“37 Whether the applicant is acting in bad faith, within the meaning of Article 51(1)(b) of Regulation No 40/94, must be the subject of an overall assessment, taking into account all the factors relevant to the particular case.

38 As regards more specifically the factors specified in the questions referred for a preliminary ruling, namely:

- the fact that the applicant knows or must know that a third party is using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought;
- the applicant’s intention to prevent that third party from continuing to use such a sign; and
- the degree of legal protection enjoyed by the third party’s sign and by the sign for which registration is sought;

the following points can be made.

39 First, with regard to the expression ‘must know’ in the second question, a presumption of knowledge, by the applicant, of the use by a third party of an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought may arise, inter alia, from general knowledge in the economic sector concerned of such use, and that knowledge can be inferred, inter alia, from the duration of such use. The more that use is long-standing, the more probable it is that the applicant will, when filing the application for registration, have knowledge of it.

40 However, the fact that the applicant knows or must know that a third party has long been using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused

with the sign for which registration is sought is not sufficient, in itself, to permit the conclusion that the applicant was acting in bad faith.

41 Consequently, in order to determine whether there was bad faith, consideration must also be given to the applicant's intention at the time when he files the application for registration.

42 It must be observed in that regard that, as the Advocate General states in point 58 of her Opinion, the applicant's intention at the relevant time is a subjective factor which must be determined by reference to the objective circumstances of the particular case.

43 Accordingly, the intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith on the part of the applicant.

44 That is in particular the case when it becomes apparent, subsequently, that the applicant applied for registration of a sign as a Community trade mark without intending to use it, his sole objective being to prevent a third party from entering the market.

45 In such a case, the mark does not fulfil its essential function, namely that of ensuring that the consumer or end-user can identify the origin of the product or service concerned by allowing him to distinguish that product or service from those of different origin, without any confusion (see, *inter alia*, Joined Cases C-456/01 P and C-457/01 P *Henkel v OHIM* [2004] ECR I-5089, paragraph 48).

46 Equally, the fact that a third party has long used a sign for an identical or similar product capable of being confused with the mark applied for and that that sign enjoys some degree of legal protection is one of the factors relevant to the determination of whether the applicant was acting in bad faith.

47 In such a case, the applicant's sole aim in taking advantage of the rights conferred by the Community trade mark might be to compete unfairly with a competitor who is using a sign which, because of characteristics of its own, has by that time obtained some degree of legal protection.

48 That said, it cannot however be excluded that even in such circumstances, and in particular when several producers were using, on the market, identical or similar signs for identical or similar products capable of being confused with the sign for which registration is sought, the applicant's registration of the sign may be in pursuit of a legitimate objective."

9) The above cases provide certain guidelines, but the position must be assessed on the merits and facts of the case before me.

10) The pleaded ground relates, essentially, to motive. Perfector claims that EMS' motivating factor when filing the application was to create evidence in order to support the cancellation of Perfector's CTMs. To put things in context, the following factors (taken either from the parties' evidence or from official records) are relevant:

- EMS already had a registration for its POWERSTAR mark for goods which include the term "voltage optimisation";
- The application in dispute additionally includes the terms, "voltage power optimisation" and "Voltage Power Optimisation (VPO)";
- The parties are in dispute as to whether the above terms are descriptive;
- Perfector has CTM registrations for the marks VOLTAGE OPTIMISE and VPO VOLTAGE POWER OPTIMISATION; the latter (but contrary to the pleaded case, not the former) is the subject of cancellation proceedings at OHIM instigated by EMS.
- The application for cancellation was filed by EMS on the same day that it filed the trade mark in dispute.
- Evidence was filed in the CTM cancellation proceedings (to the effect that its UK application and its specification had been accepted) as soon as the mark in dispute was accepted.

11) In terms of the motivation for filing the application, I note paragraph 48 of the witness statement of Dr Alecos Mardapittas (EMS' managing director):

"It is a direct result of the cease and desist letter issued by JP Mitchell [Perfector's lawyers] on 11 May 2010 that we decided to file a further application for POWERSTAR to also cover "voltage power optimisation (VPO) apparatus and equipment". This would provide us with additional protection and, more importantly, a trade mark registration would stop Powerperfector Plc from issuing such unjustifiable threats against us at any stage in the future. Mr Robertson's allegations that we only filed the application in order to use it as evidence in the invalidation action are untrue, and unfounded. I nevertheless submit that we are fully entitled to do so and that such actions cannot be said to constitute bad faith particularly since we are fully entitled to use our POWERSTAR trade mark in relation to all the goods covered by the class 9 specification as listed in the application. Any terms listed in a specification are purely descriptive

and belong to the specification as they describe what my POWERSTAR product is and what it does.”

Mr Mardapittas details various other exchanges the parties have had in relation to the term.

12) On the other hand, Mr Angus Robertson, Perfector’s founder and chief executive officer, highlights the same day filing of EMS’ applications (for cancellation and of the trade mark in dispute) and the swift filing of evidence in the OHIM cancellation proceedings when the trade mark in dispute was accepted (which Mr Robertson wrongly<sup>6</sup> assumed to be a fast-track application). An extract is provided from the OHIM evidence reading<sup>7</sup>:

“On 14 May 2010 EMSc (UK) Ltd filed an additional UK trade mark application for POWERSTAR. It was given the following application number 2547534. The application was filed in class 9 for inter alia “Voltage Power Optimisation (VPO) apparatus, devices, units, equipment, instruments and/or systems”... It is imperative to note that this application has now been examined by the UK Intellectual Property Office and the term “Voltage Power Optimisation (VPO) apparatus, devices, units, equipment, instrument and/or systems.” has been accepted as a descriptive class belonging in class 9.”

13) Mr Robertson’s claims can be summed up when he states:

“I believe it is important that the examiner fully appreciates the cynical way in which the applicant has approached the application. The inclusion of the offending phrases was, I submit, carried out specifically to allow the applicant to manufacture evidence and in so doing it sought to make the UK IPO an unwitting party to the creation of that evidence. I consider the applicant’s actions to be an abuse of the UK trade mark registration process and clear evidence of bad faith on its part.”

14) Also highlighted by Mr Robertson is that:

- EMS were contacted to ask for the offending terms to be removed before the opposition was filed<sup>8</sup>. It is claimed that the removal of the terms would have left EMS with a perfectly appropriate description of the actual goods.

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<sup>6</sup> The official file shows that a standard application was made, not a fast track application.

<sup>7</sup> The emphasis is in the extract copied into Mr Robertson’s evidence. It is not clear if Mr Robertson has added the emphasis or if this is how the evidence was filed.

<sup>8</sup> This appears to have been done via the making of post publication observations regarding the acceptance of the mark (which were forwarded to EMS); the observations appear to be in abeyance pending the outcome of these opposition proceedings.

Their failure to do so is argued to further demonstrate the initial improper motive;

- That EMS' application includes additional terms to those of its earlier registration (as represented by the first and second bullet points of paragraph 10).

15) It is clear that EMS knew of Perfector's CTMs (at the very least the VPO Voltage Power Optimization CTM) when it filed the application in dispute. EMS admits that the application was filed as a direct result of a cease and desist letter. There is, though, a dispute over motive. There is also a dispute over whether the terms in question are descriptive or not. The former is clearly relevant, the latter less so. The motive issue can point towards whether the filing of the application fell below the standard of acceptable commercial behavior. Perfector's evidence of motive is based primarily on timings of certain actions, those actions being the filing of the trade mark application on the same day as the CTM cancellation proceedings were brought, together with the subsequent filing of evidence immediately following the acceptance of the trade mark application. Perfector's claims relating to motive (that the application was filed to generate evidence for the CTM proceedings) are, therefore, inferential. EMS' evidence as to motive comes from the "horse's mouth". Perfector has not sought to cross-examine Mr Mardapittas on his evidence. I note, however, that in his reply evidence Mr Robertson stated that EMS' explanation was not accepted. Mr Robertson also stated that even if the tribunal was to accept the explanation then there is still bad faith.

16) In terms of motive, although the evidence was not accepted by Perfector (and that EMS' failed to provide further corroborative evidence), this does not mean that Mr Mardapittas should be disbelieved. It may be that there is nothing beyond his explanations that could be filed to corroborate his explanation or that Mr Mardapittas considered that his evidence was enough. Having considered both parties' evidence and arguments, it is, in my view, too great an inference to conclude that the application in dispute was filed simply to generate evidence to support its case. As Mr Mardapittas states, the action took place shortly after a cease and desist letter was received. It is, therefore, not surprising that simultaneous action was undertaken in an attempt to defend EMS' position. That action was on the one hand to attack Perfector's CTM and, on the other, to apply to register the mark it has been using in respect of specification terms that is considers are descriptions. That the acceptance of the specification terms was mentioned in evidence is a reasonable course of action to undertake and does not undermine or add further support that filing the application was simply to obtain such evidence. It is not as though this fact alone will have a significant impact on the decision that OHIM will come to make. Furthermore, the refusal to remove the offending terms gives rise to nothing, this would clearly make the application pointless as regards EMS' stated motive. For all these reasons, I

consider Mr Mardapittas' explanation as to motive to be more than plausible and appears to represent the reality of the situation.

17) Irrespective of the above finding, Perfector still considers the application to have been in filed in bad faith. Its primary argument relating to the filing of an application so as to manufacture evidence is not relevant given my finding in the above paragraph. Its other argument is that EMS' sworn (by Mr Mardapittas) position amounts to bad faith. To give a feel for the argument, the following extract comes from Perfector's written submissions:

"..for one party to file an application with the express intention of ...seeking a means of subverting or undermining the effect of a registered Community trade mark (which is the Applicant's sworn position). The opponent considers it unthinkable that the UK IPO would reach such a conclusion [that the mark was filed in accordance with normally accepted standards of honest conduct], not least because of the far-reaching legal and public policy consequences of such a decision."

18) EMS does not really address the above points in its submissions, focusing, instead, on the fact that the trade mark is POWERSTAR and that the terms in the specification are descriptive. I remind myself that Mr Mardapittas stated that the trade mark application was filed because:

"This would provide us with additional protection and, more importantly, a trade mark registration would stop Powerperfector Plc from issuing such unjustifiable threats against us at any stage in the future."

19) It is, therefore, the above statement that Perfector considers to constitute an attempt at subverting or undermining the effect of its CTM. Mr Justice Arnold in *Cipriani* referred to matters such as the belief of superior rights or applications being filed to strengthen a parties' position. The exact examples he gave are not on a par here, but they have some analogous merit. There is clearly a dispute between the parties over the use in the course of trade of the specification terms. EMS considers that they are entitled to use them as descriptions because they are that, merely descriptions, whereas Perfector considers that such terms are not descriptive and, indeed, constitute their trade marks. EMS sort to protect its position by filing a new application (in respect of a mark which it clearly uses) which includes such terms, whilst also seeking to cancel Perfector's CTM. Whether EMS' course of action does, in reality, give it any greater protection is neither here nor there. It is the motive and intention that matters. In all the circumstances, this action will not be regarded as falling below the standards of acceptable commercial behavior, indeed, many would consider it a prudent form of action to protect the interests of the business. It is not necessary for me to determine the issue of descriptiveness, that is a matter for OHIM. It is sufficient that I do not consider EMS' conduct in filing the application to be an act of bad faith. **The ground under section 3(6) is dismissed.**

## **SECTION 5(4)(A)**

20) Section 5(4)(a) of the Act reads:

“A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented –

(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, or

(b) .....

A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of an “earlier right” in relation to the trade mark.”

21) The elements of passing-off (often referred to as the classic trinity) can be summarised as: 1) goodwill, 2) misrepresentation and 3) damage. In *Reckitt & Colman Products Ltd v Borden Inc* [1990] R.P.C.341, Lord Oliver summarised the position quite succinctly when he stated:

“The law of passing off can be summarised in one short general proposition--no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff...Thirdly he must demonstrate that he suffers, or in a *quia timet* action that he is likely to suffer, damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff.”

22) I intend to deal with this ground briefly. This is because I consider the ground to be untenable. Whether or not Perfector has a goodwill associated with the pleaded signs is not relevant because the mark sought to be registered is POWERSTAR. It is not disputed that this is completely dissimilar to the pleaded signs. Section 5(4)(a) relates to the use of the trade mark being liable to be

prevented. The trade mark is POWERSTAR. The question is whether the use of POWERSTAR can be prevented under the law of passing-off. That the pleaded terms appear in the specification is not relevant. The specification terms simply explain what goods the mark is to be used upon. The goods are the goods, they are not the mark. Whilst notional and fair use of the mark POWERSTAR must be considered, this does not extend to the use of a mark which includes other designations. The consumer will not be aware of what terms are in a specification on the register. Perfector may be able to launch passing-off or infringement proceedings if EMS actually use the pleaded signs. Those matters must be dealt with on their own merits, it is not a matter for these proceedings. **The ground under section 5(4)(a) is dismissed.**

### **CONCLUSION**

23) Both grounds of opposition have failed. The opposition is unsuccessful.

### **COSTS**

24) EMS has been successful and is entitled to a contribution towards its costs. I hereby order PowerPerfector Plc to pay EMSc (UK) Limited the sum of £1600. This sum is calculated as follows:

Preparing a statement and considering the other side's statement	£400
Filing evidence and considering Perfector's evidence	£700
Filing written submissions	£500

25) The above sum should 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 15<sup>th</sup> day of December 2011**

**Oliver Morris  
For the Registrar,  
The Comptroller-General**