

O-472-17

TRADE MARKS ACT 1994

**IN THE MATTER OF TRADE MARK REGISTRATION NO. 2548494
IN THE NAME OF GROUP TALENTS LIMITED
FOR THE MARK**

SEM

**IN CLASS 9
AND THE APPLICATION FOR REVOCATION THEREOF
UNDER NO. 501404
BY SEM HOLDING AB**

Background

1. Group Talents Limited (“the proprietor”) is the registered proprietor of UK trade mark registration number 2548494 which consists of the mark SEM. The mark was filed on 24 May 2010 and completed its registration procedure on 19 November 2010. Following an earlier revocation action filed by SEM Holding AB (“the applicant”), the registration was partially revoked for non-use on 24 October 2016, and the specification was limited to the following goods:

Class 9: Low voltage power fuses for household use.

2. On 31 October 2016 the applicant applied to revoke the surviving registration under Section 46(1)(a) of the Trade Marks Act 1994 (“the Act”) on the grounds that it had not been put to genuine use in the five year period following the date of completion of the registration procedure, namely between 20 November 2010 and 19 November 2015 (“the relevant period”). The effective date of revocation claimed is 20 November 2015.

3. The proprietor filed a counterstatement in which it states that the mark has been put to genuine use in the UK by the proprietor or with its consent. In the alternative, it relies upon Section 46(3) of the Act, defending its registration on the basis that use of the mark in the UK was commenced or resumed after the relevant period.

4. Only the proprietor filed evidence in these proceedings. The applicant filed written submissions, in response to which the proprietor filed evidence in reply.

Representation

5. A hearing took place before me on 23 August 2017 at which the proprietor was represented by Mr Nigel Parnell of Laytons LLP and the applicant by Mr Jan Zecher of Fish & Richardson P.C, these two companies having represented the parties throughout these proceedings.

The proprietor's evidence in chief

6. This consists of a witness statement dated 28 February 2017 by Koon Yui Leung, the Director of the proprietor, a position he has held since 2003.

7. Mr Leung confirms that the proprietor is based in Hong Kong. He says that the proprietor has been "a leading manufacturer" of the goods bearing the registered mark since 1991. The goods have been manufactured "at Splendid Electrical Manufactory at Chang Shan Tou, Qingxi, Dongguan, Guangdong, China" and exported by the proprietor to the UK since 1991.

8. Mr Leung says that the registered mark is applied to the goods which are sold by the proprietor to various wholesalers and distributors in the UK. He states that, in many cases, the goods are sold "attached to, or containing, information on card or paper displaying a trade mark of the retailer which sells the goods to the public in the UK". At KYL1 he exhibits copies of photographs of packaging. Most of the samples show blister packaging featuring third party brands including well-known brands, such as HomeBase, B&Q and Wickes. The copies are of poor quality and I cannot make out much that appears on the fuses inside the packaging. However, a number of copies clearly shows the SEM mark applied to the goods. The word SEM is written in bold letters and is presented on a rectangular background followed by an ® symbol indicating trade mark registration. Applied to the goods are, also, the words LEAD FREE, a BS1362 code as well as various 13A, 5A and 3A codes. Although there is no explanation as to what these codes are meant to represent, I can see from the packaging that that the products are said to comply with BS1362 and that the numbers followed by the letter A correspond to fuse rating, i.e. Ampere. An example is reproduced below:



The exhibit also includes copies of photographs of fuses placed in sealed transparent plastic bags from which the SEM mark can just about be made out.

9. Mr Leung provides an approximate number and value of the proprietor's sales of SEM branded "low power fuses for household use" to various UK wholesalers and distributors for the years 2011 to 2016. The figures given (in Hong Kong Dollars) are as follows:

Year	Number of fuses	Turnover (HK)\$
2011	3,140,000	1,305,000
2012	2,515,000	1,054,000
2013	3,175,000	1,253,000
2014	2,836,000	1,173,000
2015	2,609,000	942,000
2016	1,175,000	1,004,000
Total	15,450,000	6,728,000

10. Although Mr Leung does not provide a sterling equivalent, applying the exchange rate at the time of writing¹, the total value of the sales for the relevant period amounts to approximately £550k². Mr Leung states that since the proprietor “is the manufacturer of the goods bearing [the registered mark] it does not have full details of the businesses to whom wholesalers and distributors in the UK have sold the goods”. However, he states that these include well-known UK retailers such as Robert Dyas, John Lewis, Tesco, Homebase and Wickes as well as independent electrical and hardware stores. According to Mr Leung, these businesses have sold SEM branded fuses in the UK since 20 November 2010.

11. KYL2 consists of a collection of invoices, packing lists and bills of landing relating to the shipment of SEM branded fuses to the UK. The exhibit contains more than 180 pages. The invoices from 2010, 2011, 2012, 2013, 2014, 2015 and 2016 are issued by the proprietor to various UK businesses, namely Novar ED&S Limited in Motherwell, Omega Import Export Limited in Wembley, Schneider Electrical Limited in Smethwick, AVSL Group Ltd in Manchester, Bulk Hardware Ltd in Chippenham, Dencon Accessories Ltd in Harlow, J.F. Poynter Ltd in Haywards Heath, Niglon Ltd in Solihull and Honeywell in Gloucestershire. These record the sale of hundreds of thousands of fuses. The amounts shown on most invoices are in GBP but some are in US dollars. These range from a low of £459 to a high of £69,516.50. Each item on the invoices is identified under the heading “description” as follows:

- i. In the first row there are three alpha-numerical codes. The first two can be cross-referenced to the codes displayed on the packaging at KYL1, namely the letters BS followed by a number and the A rating code. The third one includes the letters SEM followed by a serial number, for example SEM11 series;
- ii. The second row contains the brand name followed by the words LEAD FREE. Each invoice records the sale of various quantities of fuses described as SEM brand. A number of invoices also include sales of goods identified by different brand names. In a number of invoices this appears to correspond to the name

¹ This is unlikely to be significantly different from the rate applicable at the time when the sales were made

² Based on the total value of the sales for 2011-2015

of the importer/retailer, for example, fuses sold to Niglon Ltd are described as NIGLON brand. However, in a number of invoices the brand name and the name of the company importing the goods are different (although the sign SEM followed by the serial number is always shown);

- iii. The third row lists what I understand are certification codes, i.e. BSI, ASTA APPROVAL and/or SEMKO test report;
- iv. Most descriptions also include a fourth row which contains the entry “card/paper insert/box details” which, Mr Leung states³, identifies the retailer in the UK by whom the sales were made, i.e. John Lewis, Wickes.

12. KYL3 consists of print-outs from various websites aimed at evidencing the sale of SEM branded fuses in the UK. The pages are dated January 2017. A number of copies show SEM branded fuses in blister packaging bearing third party brands, although some copies also show the same goods without packaging. The goods are described as “suitable for appliance, washing machine, dishwashers etc” or “household fuses”. One of the copies from eBay UK website shows the same packaging reproduced above at paragraph 8; the goods are described as “2x6 PACKS 3 amp SEM PLUG FUSES standard household fuses KINGAVON 3AMP BS1362” (my emphasis).

13. Mr Leung states that the goods bearing the SEM mark “have been manufactured to British Standard (BS) 646, 1361 and 1362”. He exhibits at KYL4 copies of two test reports undertaken by ERA technology Limited, a company based in Surrey. The reports are dated September and November 2013 respectively. The first report gives the manufacturer’s name as Splendid Electrical Manufactory (SEM) whereas the manufacturer’s address is listed as the proprietor’s address in Hong Kong. The model tested is SEM rated 13A. Under the heading “Marking” the report states “The fuses were marked with the following: 13A, BS1362, SEM trade mark, LEAD FREE, CCC, N, HK, BSI and ASTA marks” (my emphasis). The second report is in a similar format, however, it indicates that the manufacturer of the goods is the proprietor and describes the model tested as SEM11-05 rated 5 A.

³ Paragraph 9 of the witness statement

14. KYL5 consists of a copy of a report by Plugtest Ltd of Huntingdon, Cambridgeshire, which, according to Mr Leung, provides Portable Appliance Testing courses in the UK. The report provides information on how to identify counterfeit fuses. Mr Leung points out that the report states “Well known fuse brands such as Bussmann, SEM, Marbo etc. all have dull/matt finish metal caps” (my emphasis).

The applicant’s submissions

15. The applicant did not file evidence in these proceedings. It did, though, file written submissions in which it highlighted what it considered to be gaps and/or contradictions in the evidence. The main points from these submissions are that:

- i. The proprietor has not shown genuine use of the registered mark;
- ii. The evidence suggests that the proprietor is not the manufacturer of the goods and has no control over their quality. In this connection, the applicant points out that the owner of the Chinese registration for the mark SEM is the Chinese company Splendid Electrical Manufactory, not the proprietor. A print-out from the Chinese trade mark register (with partial translation) is in evidence from which it can be seen that the registered mark consists of the letter SEM presented on a rectangular background;
- iii. The evidence filed shows that the goods were not offered under the registered mark but under other marks. The samples of packaging shown in the evidence feature other brands and do not mention the SEM mark. The invoices “often show other brands like “JOHN LEWIS”, “MERCURY”, “OMEGA”, “VERNONS”, “VF”, “SKYTRONIC” AND “WICKES”. Where the letter combination “SEM” is used, it is often part of combined terms like “SEM11”, “SEM24” or “SEM60”. These combinations, the applicant submits, are not identical to the registered mark and are likely to be seen as use of product numbers;
- iv. There is no evidence that the goods were sold in packaging containing cards, paper inserts or attachments showing the SEM mark;
- v. Where the SEM mark is used on the actual products it does not amount to trade mark use. In this connection, the applicant argues that from the size,

position, presentation and context of the mark, the relevant consumers have no reason to see the mark as an indication of origin. It states that:

- The mark is not always visible from the blister packs because the fuses are not fixed but are able to rotate within the packs themselves; further the SEM mark only covers “a quarter of the available outer face of the fuses”. Therefore, according to the applicant “ SEM [is] visible through the blister packaging only occasionally, often only in part, and sometimes not at all [...] on a random basis, similar to the display of a slot machine” whereas the other brands shown on the packaging are always visible;
- Even where the mark SEM is visible, it is shown in a very small size which is much smaller than the brands shown on the packaging;
- Even where the mark is visible, it is only a part of the marking. The applicant argues that in addition to the SEM mark the fuses also show “the ampere rating, the fuse standard and six approval marks, namely the ASTA, BSI, CCC, HK, LEAD FREE and N marks” which are shown in a size comparable to the size of the SEM mark. According to the applicant, the SEM sign affixed to the proprietor’s goods would be perceived by the public as a mere approval mark and such use cannot be classified as trade mark use.

vi. The evidence suggests that when they entered the UK, most if not all products were already packaged “in a way more or less hiding the SEM mark”;

vii. The applicant denies that the SEM mark is well-known.

The proprietor’s evidence in reply

16. This consists of a second witness statement by Mr Leung. In response to the applicant’s criticisms, Mr Leung explains that Dongguan, Qingxi, Changshantou Splendid Electrical Manufactory and the proprietor are “under common control with the same Directors”. He says that “Splendid Electrical Manufactory at

Changshantou, Qingxi, Dongguan, Guangdong, China identifies the owner and location of the factory where SEM branded fuses are manufactured” and that the proprietor is responsible for the sale of these goods in the UK. Mr Leung goes on to refer to the companies’ trade mark registrations. He says that the mark SEM was registered in China in the name of Splendid Electric Manufactory in order to comply with Chinese legal and regulatory requirements and that the same mark was registered in the UK under the name of the proprietor because Hong Kong is a former British colony and its legal system is similar to the UK’s system. Mr Leung further explains that “[the proprietor] has a well organised system for monitoring and maintaining control over the quality of the fuses bearing the trade mark SEM sold in the United Kingdom” and that “without such control [the proprietor] could not have obtained and retained ASTA, BSI, CCC and ISO 9001 accreditation and approval”. He also stated:

“Approval bodies send their quality control auditors annually to our factory in China to inspect production line, check the quality management system and randomly select samples for routine tests.”

17. KYL6 consists of an undated photograph of cardboard boxes featuring the SEM mark. According to Mr Leung, these boxes have been used by the proprietor continuously since at least 2010 to ship into the UK fuses that are sold in bulk to wholesalers. The mark SEM, presented on a rectangular background, is prominently shown on the packaging followed by an ® symbol. It looks like this:



18. KYL7 consists of copies of photographs showing the mark SEM as applied to fuses sold by the proprietor to UK importers. Mr Leung points out that the SEM mark is “clearly visible” and followed by a ® symbol indicating that it is a registered trade mark. An example is reproduced below:



Decision

19. Section 46(1) of the Act states that:

“The registration of a trade mark may be revoked on any of the following grounds-

(a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;

[...]

(2) For the purpose of subsection (1) use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, and use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes.

(3) The registration of a trade mark shall not be revoked on the ground mentioned in subsection (1)(a) or (b) if such use as is referred to in that paragraph is commenced or resumed after the expiry of the five year period and before the application for revocation is made: Provided that, any such commencement or resumption of use after the expiry of the five year period but within the period of three months before the making of the application shall be disregarded unless preparations for the commencement or resumption began before the proprietor became aware that the application might be made.

(4) An application for revocation may be made by any person, and may be made to the registrar or to the court, except that –

(a) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court; and

(b) if in any other case the application is made to the registrar, he may at any stage of the proceedings refer the application to the court.

(5) Where grounds for revocation exist in respect of only some of the goods or services for which the trade mark is registered, revocation shall relate to those goods or services only.

6) Where the registration of a trade mark is revoked to any extent, the rights of the proprietor shall be deemed to have ceased to that extent as from –

(a) the date of the application for revocation, or

(b) if the registrar or court is satisfied that the grounds for revocation existed at an earlier date, that date.”

20. Section 100 is also relevant, which reads:

“If in any civil proceedings under this Act a question arises as to the use to which a registered trade mark has been put, it is for the proprietor to show what use has been made of it.”

21. In *The London Taxi Corporation Limited v Frazer-Nash Research Limited & Ecotive Limited*, [2016] EWHC 52, Arnold J. summarised the case law on genuine use of trade marks. He said:

“I would now summarise the principles for the assessment of whether there has been genuine use of a trade mark established by the case law of the Court of Justice, which also includes Case C-442/07 *Verein Radetsky-Order v Bunderversammlung Kamaradschaft 'Feldmarschall Radetsky'* [2008] ECR I-9223 and Case C-609/11 *Centrotherm Systemtechnik GmbH v Centrotherm Clean Solutions GmbH & Co KG* [EU:C:2013:592], [2014] ETMR 7, as follows:

(1) Genuine use means actual use of the trade mark by the proprietor or by a third party with authority to use the mark: *Ansul* at [35] and [37].

(2) The use must be more than merely token, that is to say, serving solely to preserve the rights conferred by the registration of the mark: *Ansul* at [36]; *Sunrider* at [70]; *Verein* at [13]; *Centrotherm* at [71]; *Leno* at [29].

(3) The use must be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of the goods or services to the consumer or end user by enabling him to distinguish the goods or services from others which have another origin: *Ansul* at [36]; *Sunrider* at [70]; *Verein* at [13]; *Silberquelle* at [17]; *Centrotherm* at [71]; *Leno* at [29].

(4) Use of the mark must relate to goods or services which are already marketed or which are about to be marketed and for which preparations to secure customers are under way, particularly in the form of advertising campaigns: *Ansul* at [37]. Internal use by the proprietor does not suffice: *Ansul* at [37]; *Verein* at [14]. Nor does the distribution of promotional items as a reward for the purchase of other goods and to encourage the sale of the latter: *Silberquelle* at [20]-[21]. But use by a non-profit making association can constitute genuine use: *Verein* at [16]-[23].

(5) The use must be by way of real commercial exploitation of the mark on the market for the relevant goods or services, that is to say, use in accordance with the commercial *raison d'être* of the mark, which is to create or preserve an outlet for the goods or services that bear the mark: *Ansul* at [37]-[38]; *Verein* at [14]; *Silberquelle* at [18]; *Centrotherm* at [71].

(6) All the relevant facts and circumstances must be taken into account in determining whether there is real commercial exploitation of the mark, including: (a) whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods and services in question; (b) the nature of the goods or services; (c) the characteristics of the market concerned; (d) the scale and frequency of use of

the mark; (e) whether the mark is used for the purpose of marketing all the goods and services covered by the mark or just some of them; (f) the evidence that the proprietor is able to provide; and (g) the territorial extent of the use: *Ansul* at [38] and [39]; *La Mer* at [22]-[23]; *Sunrider* at [70]-[71], [76]; *Centrotherm* at [72]-[76]; *Reber* at [29], [32]-[34]; *Leno* at [29]-[30], [56].

(7) Use of the mark need not always be quantitatively significant for it to be deemed genuine. Even minimal use may qualify as genuine use if it is deemed to be justified in the economic sector concerned for the purpose of creating or preserving market share for the relevant goods or services. For example, use of the mark by a single client which imports the relevant goods can be sufficient to demonstrate that such use is genuine, if it appears that the import operation has a genuine commercial justification for the proprietor. Thus there is no *de minimis* rule: *Ansul* at [39]; *La Mer* at [21], [24] and [25]; *Sunrider* at [72]; *Leno* at [55].

(8) It is not the case that every proven commercial use of the mark may automatically be deemed to constitute genuine use: *Reber* at [32].”

Is it use of the proprietor's mark?

22. The examples of packaging and the photographs exhibited at KYL7 show how the mark is used on the goods. For the record, I consider that use of the sequence SEM within a plain rectangular border constitutes “use of a trade mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered” and the applicant has not taken issue on the point.

23. The use shown involves the sale and despatch by the proprietor to UK importers of fuses bearing the registered mark. These products were marketed and sold as SEM products. They were manufactured by a sister company, Splendid Electrical Manufactory, which owns the Chinese registration for the mark SEM. Mr Leung who is a director of both companies and thus is a person with direct knowledge, stated, in his witness statement, that the proprietor was responsible for the sale to UK importers of goods manufactured by Splendid Electrical Manufactory. In order to

carry on its business, it applied to register the mark SEM in the UK. There was a brief exchange at the hearing, in the course of which Mr Parnell clarified that Splendid Electrical Manufactory identifies the factory where the goods bearing the SEM mark are made and Changshantou is, effectively, the manufacturer of the goods. However, nothing turns on this point. I will therefore carry on referring to Splendid Electrical Manufactory as the manufacturer of the goods.

24. Mr Zecher's main criticism was that the use shown by the proprietor is not use of its own mark and that "merely buying and selling products manufactured by a third party under a trade mark registered for that third party without any quality control is not genuine use". Mr Zecher's argument misses the point. The proprietor is the owner of the UK registration for the mark SEM. The mark SEM is affixed to the goods sold by the proprietor to UK importers and Mr Leung provided details of annual turnover for sales made by the proprietor under the mark SEM for 2011-2016. The same mark is applied to the cardboard boxes used by the proprietor to ship the goods into the UK. It is also used on the invoices issued by the proprietor to describe the goods. That being so, I agree with Mr Parnell that the use by the proprietor of SEM for its business purposes must be use of its own mark. Whoever the owner is of the Chinese registration for the mark SEM is, consequently, immaterial since it does not detract from the fact that:

- i) the owner of the UK registration no. 2548494 for the mark SEM is the proprietor;
- ii) the issue to be determined here is whether that mark has been put to genuine use by the proprietor or with its consent in the UK and
- iii) the evidence shows that the proprietor has sold SEM branded fuses to UK companies within the relevant period.

Quality control

25. Mr Zecher further contended that the use shown is not genuine because the proprietor is not the manufacturer of the goods and has failed to show that it has any control over their quality. In support of this contention, Mr Zecher referred to observations made by the Court of Justice of the European Union (CJEU) in Case C-

689/15, *W. F. Gözze Frottierweberei GmbH and Wolfgang Gözze v Verein Bremer Baumwollbörse*. According to Mr Zecher, the Court confirmed the principle that affixing a mark constitutes genuine use if *“it guarantees...to consumers that those goods come from a single undertaking under the control of which the goods are manufactured and which is responsible for their quality”*. Mr Zecher’s reference is misleading. The observations of the Court refer to the facts of the case in which they were made. The issue was whether the use of a mark consisting of a cotton flower by manufacturers of textiles made from cotton fibres to certify the composition and quality of their goods was genuine use. It was in that context that the Court stated that the use of a mark as a label of quality is not genuine use. In this connection, the Court stated that if a mark, which is used as a label of quality, additionally and simultaneously, guarantees to consumers that the goods come from a single undertaking that is responsible for their quality, then, it is genuine use. The Court was not addressing the issue as to whether genuine use requires evidence of quality control in circumstances where the owner of the mark is not the manufacturer of the goods.

26. In the circumstances of the case, the fact that the proprietor has been selling under the same brand name products which had been produced by Splendid Electrical Manufactory is telling. This could hardly have been done without a distribution or licence agreement if unrelated companies were involved. In any event, Mr Leung explained that both the proprietor and Splendid Electrical Manufactory are under the control of the same Directors and that the proprietor exercises control over the quality of the goods manufactured by Splendid Electrical Manufactory. Mr Zecher has provided no evidence to demonstrate otherwise, nor has he chosen to request cross-examination.

27. Before proceeding further, I should dispose of a point which, seems to have caused some confusion. As Mr Parnell pointed out, many companies outsource much of their manufacturing to foreign countries. A company which outsources production will, essentially, pay a manufacturer to affix its trade mark to the goods or package the goods under the mark. By putting the goods on the market under its trade mark, the owner assumes responsibility for the goods and their quality. In

*Scandecor Developments AB v Scandecor Marketing AB and Others and one Other Appeal*⁴, Lord Nicholls noted:

“19. Although the use of trade marks is founded on customers' concern about the quality of goods on offer, a trade mark does not itself amount to a representation of quality. Rather it indicates that the goods are of the standard which the proprietor is content to distribute ‘under his banner’: see Laddie J, in *Glaxo Group v Dowelhurst Ltd* [2000] FSR 529, 540–541. The concept of the owner of a mark holding himself out as responsible for the quality of the goods sold under his mark was noted by Lord Wright in *Aristoc Ltd v Rysta Ltd* (1945) 62 RPC 65, 82:

‘The word “origin” is no doubt used in a special and almost technical sense in this connection, but it denotes at least that the goods are issued as vendible goods under the aegis of the proprietor of the trade mark, who thus assumes responsibility for them, even though the responsibility is limited to selection, like that of the salesman of carrots on commission in *Major v Franklin* [1908] 1 KB 712. By putting them on the market under his trade mark he vouched his responsibility ...’.

Thus, in relying on a trade mark consumers rely, not on any legal guarantee of quality, but on the proprietor of a trade mark having an economic interest in maintaining the value of his mark. It is normally contrary to a proprietor's self-interest to allow the quality of the goods sold under his banner to decline.”

28. There is no provision setting a requirement that a trade mark owner must control the standards for manufacturing its own products. It is likely, however, that if the trade mark owner was dissatisfied with the quality of the goods, it would not be prepared to put the goods on the market as its own.

29. In some correspondence, which was sent by the Tribunal to the applicant, reference was made to the fact that “there is no requirement in law that a registered

⁴ [2002] F.S.R. 7

proprietor should have control over quality” and that “the law refers to consent to use of a mark, not control” as established in *EINSTEIN*, BL-O-68/07. Mr Zecher argued that the decision in *EINSTEIN* is not applicable to these proceedings. He is right, although this does not assist him. The issues of quality control and consent only arise where use of the mark is made by a company other than the trade mark owner (e.g. licensing). But regardless of the issue of the relationship between Splendid Electrical Manufactory and the proprietor, here the goods were put on the UK market by the proprietor itself under its mark. Hence, the issue of quality control and consent does not even arise.

30. I move on to consider whether the use shown qualifies as genuine use.

The extent of use

31. The evidence shows that hundreds of thousands of SEM branded fuses were imported into the UK within the relevant period. Although the goods on the invoices are listed only as “fuses”, Mr Leung stated clearly that the evidence refers to “low voltage power fuses for household use”, which is the exact description of the goods in respect of which the mark is registered. This is supported by the exhibits and the applicant has not seen fit to challenge it. Mr Zecher argued that the total amounts shown on the invoices do not match the turnover figures provided in the evidence. However, at the hearing, Mr Parnell explained that the invoices filed are only exemplary and do not account for the total sales value, as given in the evidence.

32. Mr Zecher stated, at the hearing, that the applicant did not intend to challenge the fact that the mark SEM was affixed to the goods sold by the proprietor to UK importers. He also clarified that when he made criticisms in relation to the use of third party brands, he meant the brands shown on the packaging (not on the goods). In this connection, he undertook an almost forensic analysis of the invoices. He calculated that some £226k were sales from the relevant period and that about £193k worth of goods, corresponding to about 86% of the total sales invoiced, were sales of SEM branded fuses shipped in packaging bearing third party brands. According to Mr Zecher only 14% corresponding to about £31k of the invoices exhibited relate to the sale of SEM branded fuses imported in plastic bags. He

reached this conclusion on the assumption that where the invoices indicated third party brands under the heading “card details” or “box details”, the goods reached the UK in packaging bearing third party marks. There was no challenge to Mr Zecher’s analysis and Mr Parnell said that although he did not know the exact split, he could confirm that where the invoices did not refer to other brands, the goods were sold in plastic bags. Having gone through the invoices myself, I accept that that some USD 33,600.00 (equating to about £25k) and £200k of the invoices relate to sales made during the relevant period. Further, according to my estimates, at least some USD 33,600.00 (equating to about £25k) plus £4,111, totalling to about £29k, were sale of goods which, the parties accept, were shipped in plastic bags. Proceeding on this basis, the following points are established by the evidence:

- The proprietor has sold approximately 14m fuses bearing the mark SEM to UK importers during the relevant period. The value of these sales amounts to approximately £550k;
- Even without knowing the exact split between goods sold in packaging and goods sold in plastic bags, it appears that most goods were sold in packaging bearing third party brands. The evidence shows that these brands are the names of the retailers responsible for selling the goods to the end consumers;
- At least some £29k worth of goods were shipped in plastic bags within the relevant period. These goods were sold to three UK importers, namely Honeywell, Novar and Bulk Hardware Ltd and the sales were evenly spread over the relevant period. The invoices show, at least, three sales in 2011⁵, three sales in 2012⁶, two sales in 2014⁷ and one sale in 2015⁸. There was one sale of £4,111 and eight sales of USD 4,200 each (equating to about £3,160). A total of 925,000 fuses were sold⁹.

⁵ Page 145, 148 and 152 of KYL2

⁶ Page 31, 35 and 87of KYL2

⁷ Page 38 and 40 of KYL2

⁸ Page 28 of KYL2

⁹ A number of invoices appear to record the sale of both packaged goods and goods sold in plastic bags so the quantities might be slightly higher than the one reported.

Sales to importer and nature of the use

33. The proprietor provides evidence of importation into the UK of goods bearing the SEM mark. The proprietor's sales were, effectively, sales to wholesalers and retailers, not to end consumers. In *Laboratoire de la Mer Trade Mark* [2006] FSR 5, the Court of Appeal held that sales under the mark to the trade may qualify as genuine use. Neuberger L.J. (as he then was) stated that:

“48. I turn to the suggestion, which appears to have found favour with the judge, that in order to be “genuine”, the use of the mark has to be such as to be communicated to the ultimate consumers of the goods to which it is used. Although it has some attraction, I can see no warrant for such a requirement, whether in the words of the directive, the jurisprudence of the European Court, or in principle. Of course, the more limited the use of the mark in terms of the person or persons to whom it is communicated, the more doubtful any tribunal may be as to whether the use is genuine as opposed to token. However, once the mark is communicated to a third party in such a way as can be said to be “consistent with the essential function of a trademark” as explained in [36] and [37] of the judgment in *Ansul*, it appears to me that genuine use for the purpose of the directive will be established.

49. A wholesale purchaser of goods bearing a particular trademark will, at least on the face of it, be relying upon the mark as a badge of origin just as much as a consumer who purchases such goods from a wholesaler. The fact that the wholesaler may be attracted by the mark because he believes that the consumer will be attracted by the mark does not call into question the fact that the mark is performing its essential function as between the producer and the wholesaler.”

34. The proprietor's goods all bear the SEM mark followed by an ® symbol. SEM is also displayed on the invoices followed by a serial number, i.e. SEM11, and as SEM brand. Further, the mark is displayed on the cardboard boxes used when the goods are shipped. Mr Zecher seems to suggest that the photograph of the cardboard boxes exhibited at KYL6 could not relate to goods shipped into the UK as, he states,

the cardboard boxes “[bear] the ‘CCC Logo’ a compulsory safety mark for products imported, sold or used in China only, but without the ‘CE Logo’ which is required for the EU”. The photograph does not show every side of the boxes and Mr Zecher adduces no evidence to contradict Mr Leung’s evidence, such as for example, evidence relating to the rules governing the use of these logos on packaging, nor has he chosen to request cross-examination. Consequently, if he meant that Mr Leung’s statement that the SEM mark is applied to the cardboard boxes as shown in KYL6 is not reliable, I reject his suggestion. Once it is established that sales to UK importers constitute genuine use, one must look at how the importers will see the mark when faced with it. Mr Zecher’s criticisms look instead at the end consumer. Proceeding on that basis, there is no doubt, in my view, that the importers having seen the SEM mark displayed on the goods, on the invoices and on the cardboard boxes, will understand it as a badge of origin and associate it with the proprietor. Further, looking at the matter from that perspective, it would be problematic to suggest, as Mr Zecher does (see below), that the importer/retailer would focus on the brand shown on the packaging. It would be plain enough to the importer/retailer that the brand shown on the packaging is its own brand (or the brand of the retailer on behalf of which the goods are imported). Having established that:

- i. sales to importers/retailers count towards genuine use;
- ii. importers/retailers will rely on the SEM mark as a badge of origin irrespective of whether the goods are sold in plastic bags or in packaging bearing the retailer’s brand;

the next step is to consider whether the extent of the use shown in the evidence is enough to establish genuine use. Taking into account the quantities and the value of the goods sold and the continuity of the sales during the relevant period, I have no doubt that the proprietor has demonstrated genuine use of the registered mark.

35. Indeed, even in the context of goods sold to the average consumers, having regard to the presentation of the word SEM on fuses, my view is that the mark will clearly be perceived as a trade mark. The presence, on the fuses, of other marking, i.e. the words LEAD FREE, the ampere rating and the product approval markings, do not alter, in my view, the distinctive character of the SEM sign. This is all the more

so, since that sign is followed by a ® symbol indicating trade mark registration and it is separated from the other elements. Further, the goods are specific electrical items which are unlikely to be bought by consumers who are totally unfamiliar with electrical goods, fuse rating and marking indicating compliance with regulatory requirements. In view of the above, I reject Mr Zecher's submission that, in the particular circumstances, the SEM mark might be taken by the end consumer as a technical indication rather than as a badge of origin. Even limiting my considerations to use of the SEM mark on goods sold in plastic bags, taking into account the low cost of the goods, the quantities sold and the continuity of the use, I would still find that the sale of 925,000 fuses for a total of about £29k to three different UK importers during the relevant period is enough to establish genuine use.

36. Although it is not necessary for me to deal with Mr Zecher's argument about the perception of the mark by the end consumer in respect of goods sold in blister packaging bearing the retailer's brands, I will, for the sake of completeness, do so. Mr Zecher argues that the use shown is not genuine because a small and hidden use of a mark more or less leaving to chance whether the relevant consumer notices the mark, cannot be genuine use. He contends that the consumer will rely on the brand shown on the packaging (not on the goods) as a badge of origin. In *Colloseum Holdings AG v Levi Strauss & Co.*, Case C-12/12, which concerned the use of one mark with, or as part of, another mark, the CJEU found that:

"31. It is true that the 'use' through which a sign acquires a distinctive character under Article 7(3) of Regulation No 40/94 relates to the period before its registration as a trade mark, whereas 'genuine use', within the meaning of Article 15(1) of that regulation, relates to a five-year period following registration and, accordingly, 'use' within the meaning of Article 7(3) for the purpose of registration may not be relied on as such to establish 'use' within the meaning of Article 15(1) for the purpose of preserving the rights of the proprietor of the registered trade mark.

32. Nevertheless, as is apparent from paragraphs 27 to 30 of the judgment in *Nestlé*, the 'use' of a mark, in its literal sense, generally encompasses both its

independent use and its use as part of another mark taken as a whole or in conjunction with that other mark.

33. As the German and United Kingdom Governments pointed out at the hearing before the Court, the criterion of use, which continues to be fundamental, cannot be assessed in the light of different considerations according to whether the issue to be decided is whether use is capable of giving rise to rights relating to a mark or of ensuring that such rights are preserved. If it is possible to acquire trade mark protection for a sign through a specific use made of the sign, that same form of use must also be capable of ensuring that such protection is preserved.

34. Therefore, the requirements that apply to verification of the genuine use of a mark, within the meaning of Article 15(1) of Regulation No 40/94, are analogous to those concerning the acquisition by a sign of distinctive character through use for the purpose of its registration, within the meaning of Article 7(3) of the regulation.

35 Nevertheless, as pointed out by the German Government, the United Kingdom Government and the European Commission, a registered trade mark that is used only as part of a composite mark or in conjunction with another mark must continue to be perceived as indicative of the origin of the product at issue for that use to be covered by the term 'genuine use' within the meaning of Article 15(1)". (emphasis added)

37. Further, Mr Parnell referred me to *Castellblanch SA v OHIM, Champagne Louis Roederer SA* [2006] ETMR 61 which is an acceptable example of a registered mark being used in conjunction with another mark. In that decision, the General Court (GC) stated:

"33. In the contested decision the Board of Appeal found that there is no precept in the Community trade mark system that obliges the opponent to prove the use of his earlier mark on its own, independently of any other mark. According to the Board of Appeal, the case could arise where two or more trade marks are used jointly and autonomously, with or without the name of

the manufacturer's company, as is the case particularly in the context of the automobile and wine industries.

34. That approach must be followed. The situation is not that the intervener's mark is used under a form different to the one under which it was registered, but that several signs are used simultaneously without altering the distinctive character of the registered sign. As OHIM rightly pointed out, in the context of the labelling of wine products joint affixing of separate marks or indications on the same product, in particular the name of the winery and the name of the product, is a common commercial practice.

35. In the present case the mark CRISTAL appears clearly four times on the neck of the bottle marketed by the intervener and twice on the main label, accompanied by the symbol ®. On the neck that mark is separate from the other elements. In addition, the mark CRISTAL appears alone on the boxes in which bottles of the mark CRISTAL are marketed. Equally, on the invoices produced by the intervener reference is made to the term 'cristal' with the mention '1990 coffret'. It should be noted that the mark CRISTAL thus identifies the product marketed by the intervener.

36. As regards the mention 'Louis Roederer' on the main label, it merely indicates the name of the manufacturer's company, which may provide a direct link between one or more product lines and a specific undertaking. The same reasoning applies to the group of letters 'lr' which represents the initials of the intervener's name. As pointed out by OHIM, joint use of those elements on the same bottle does not undermine the function of the mark CRISTAL as a means of identifying the products at issue.

37. Furthermore, OHIM's finding that the use of the word mark together with the geographical indication 'Champagne' cannot be considered to be an addition capable of altering the distinctive character of the trade mark when used for champagne must be endorsed. In the wine sector the consumer is often particularly interested in the precise geographical origin of the product and the identity of the wine producer, since the reputation of such products

often depends on whether the wine is produced in a certain geographical region by a certain winery.

38. In those circumstances it must be held that the use of the word mark CRISTAL together with other indications is irrelevant and that the Board of Appeal did not infringe Article 15(2)(a) of Regulation No 40/94, Article 43(2) and (3) thereof, or Rule 22(2) of the implementing regulation.”

38. Although the goods are sold in blister packaging bearing third party brands, the SEM mark appears on the products followed by a ® symbol. Mr Zecher’s argument that the mark is not visible because the fuses might roll in the blister package is highly speculative. Accordingly, I find that even where the goods are sold in packaging featuring the retailer’s brand, this does not undermine the function of the SEM mark as a mean to identify the source of the goods at issue. Further, the end consumer will have to remove the fuse from the packaging in order to use it. At that point the trade mark will always be visible and it will perform its function of identifying the trade origin of the goods.

39. In the light of the circumstances described above I conclude that there has been real commercial exploitation of the mark registered as UK 2548494 aimed at maintaining or creating an outlet for the goods or a share in the market in respect of “low voltage power fuses for household use” within the relevant period.

CONCLUSIONS

40. The application for revocation fails.

COSTS

41. The proprietor has been successful and is entitled to a contribution towards its costs. At the hearing Mr Parnell requested an award of costs off the scale to reflect the fact that the revocation action was brought in the applicant’s attempt to exert pressure on his client to obtain a letter of consent. There was a brief exchange in the course of which the parties referred to the background of an international trade mark

dispute between the parties with related revocation proceedings in China. Mr Zecher stated that there was no unreasonable behaviour on the part of the applicant and that costs should be on the standard scale. He also confirmed that his client was still open to settlement. I decided at the hearing that although the issue was raised late in the proceedings I would give the parties 14 days to request a stay. On 30 August 2017 Mr Parnell wrote to the Tribunal saying that the applicant did not agree to a stay of the proceedings.

42. Mr Parnell's point in relation to the applicant's unreasonable behaviour relating to different proceedings is not pertinent and the motive behind the applicant's alleged attack has not been proven. The fact that the applicant has brought an application for revocation, which turned out to be unsuccessful, does not constitute by itself, unreasonable behaviour¹⁰. Insofar as Mr Parnell referred to the earlier revocation action brought by the applicant, again, while it would have been more efficient to pursue only one revocation action (rather than attempting to revoke the mark in stages), the applicant's conduct does not in my view, warrant an award of costs off the scale. In the circumstances, I reject Mr Parnell's request to awards costs off the scale. However, I consider that the applicant's persistence in arguing points which had already been answered by the proprietor in its evidence, must be reflected in the costs, by awarding costs towards the maximum end of the scale in relation to the filing of the evidence. I award the proprietor the sum of £2,900 as a contribution towards the cost of the proceedings. The sum is calculated as follows:

Preparing a statement and considering the other side's statement:	£200
Preparing evidence and considering and commenting on the other side's evidence:	£2,200
Preparing for and attending a hearing:	£500
Total	£2,900

¹⁰ *Ridehalgh v Horsefield* [1994] Ch 205, 232F

43. I therefore order SEM Holding AB to pay Group Talents Limited the sum of £2,900. The above sum should be paid within fourteen days of the expiry of the appeal period or within fourteen days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 3rd day of October 2017

Teresa Perks

For the Registrar

The Comptroller – General