

BL O/508/18

TRADE MARKS ACT 1994

IN THE MATTER OF UK REGISTRATION NO 3005461
IN THE NAME OF SICUT ENTERPRISES LIMITED
IN RESPECT OF THE TRADE MARK:

ECOTRAX

AND

AN APPLICATION FOR A DECLARATION OF INVALIDITY
THEREOF UNDER NO 501363
BY AXION STRUCTURAL INNOVATIONS LLC

Background and pleadings

1. The trade mark on the cover page of this decision was applied for on 10 May 2013 and entered onto the register on 29 November 2013. It stands in the name of Sicut Enterprises Limited ('Sicut').

2. The mark is registered in respect of goods in class 19, as follows:

Plastic composite products in extruded form for use as railway sleepers, railroad ties, switch sets, turnouts, construction mats used in the control or protection of erosion or stabilisation in industrial, marine and construction applications; Recycled plastic products in extruded form for use as railway sleepers, railroad ties, switch sets, turnouts, construction mats used in the control or protection of erosion or stabilisation in industrial, marine and construction applications; Recycled plastic composites products in extruded form for use as railway sleepers, railroad ties, switch sets, turnouts, construction mats used in the control or protection of erosion or stabilisation in industrial, marine and construction applications.

3. On 3 October 2016, Axion Structural Innovations LLC ('Axion') applied under section 47 of the Trade Marks Act 1994 ("the Act") for the trade mark registration to be declared invalid. The grounds for invalidation are that the trade mark was applied for in bad faith contrary to s. 3(6).¹ The applicant relies on the following matters to support its claim under s. 3(6):

"1. Axion Structural Innovations LLC (hereinafter referred to as 'Axion' to include, where appropriate, its predecessors in title Axion International Holdings, Inc and Axion International, Inc) manufactures and sells high quality composite building materials made from recycled materials. Axion created the mark ECOTRAX in 2011 and has, since 1 May 2011, manufactured and sold in the United States and elsewhere railroad ties or

¹ The application included a claim under section 47(2)(b) and 60(3)(a) which was abandoned by a letter from the applicant's representative dated 10 March 2017.

sleepers under the mark ECOTRAX ('the ECOTRAX products'). It sought registration of the mark in August 2011 in the United States and was granted a registration of the mark ECOTRAX under United States Registration No. 4339342 ECOTRAX.

*2. Both Axion and Sicut were until recently licensees of Rutgers University, which is located in the United States, in respect of technology which, in combination with other processes, is used for the manufacture of products incorporating recycled plastics. One such line of products is composite railroad ties and sleepers, marketed and sold under the ECOTRAX trade mark which Axion adopted and that was the case at the date of filing of United Kingdom Trade Mark Registration No. 3005461. The licence from Rutgers University granted the parties the right to use the technology and sell and manufacture products made from the technology. The licence did **not** include or incorporate the trade mark ECOTRAX, all of the rights in which belong exclusively to Axion and which was adopted by Axion years after the licence granted to it.*

3. In countries where Axion was licensee of the technology, it manufactured and sold railroad ties under the mark ECOTRAX directly to end consumers.

4. In countries where Sicut was licensee (Australia, Switzerland, China, the EU, India, Mongolia, New Zealand, Turkey and Ukraine), that company has never manufactured any products incorporating the licensed technology for use as railroad ties. In those countries Axion was the sole manufacturer of the products incorporating that technology and agreed that Sicut could act as its agent in selling Axion's ECOTRAX product to end users.

5. Whilst Axion was happy for Sicut to use the mark ECOTRAX to promote the railroad tie products which Axion had manufactured, it never consented to Sicut's registration of the mark, or any use of the mark ECOTRAX on products not manufactured by Axion, which would be misleading to the relevant consumer.

6. Axion became aware of Trade Mark Registration No. 3005461 ('the Registration') in November 2014 but was unable at the time for financial reasons to take action against the Registration."

4. Having provided the background to its case, Axion submits the following regarding its claim that the proprietor has acted in bad faith:

"10. Given the factual circumstances described above, Sicut was fully aware that Axion was the legitimate proprietor of the mark ECOTRAX at the time it filed the application which resulted in the Registration. Evidence will be provided to show correspondence between the parties and material from Sicut's website which refer to Axion's ECOTRAX product and mark, together with an advert placed in the UK periodical Urban Transport Agenda by Axion, which Axion forwarded to Sicut on 25 October 2012, prior to the date of application of the Registration.

11. In addition, evidence will be filed to show that Sicut has, subsequently, consistently misappropriated Axion's proprietary product literature and promotional materials in order to mislead consumers into thinking that Sicut is the manufacturer of the ECOTRAX products.

12. Sicut has had, to the best knowledge of the Applicant, no manufacturing capacity and relies on third parties to manufacture all of the products it sells. Axion uses a particular proprietary manufacturing process for its ECOTRAX rail ties and sleepers in addition to the technology licensed from Rutgers University and those products have been tested and duly certified by the relevant railway authorities. Use of the mark ECOTRAX on railroad ties and sleepers not manufactured by Axion would be misleading to the relevant consumer.

13. In seeking registration of Axion's mark ECOTRAX, Sicut clearly had in mind to misappropriate the mark ECOTRAX and subsequently hinder Axion's ability to sell its ECOTRAX products through other third parties or, alternatively, directly to UK customers. That constitutes dishonest

behaviour which, at the very least, 'falls short of the standards of acceptable commercial behaviour'.

14. In view of the factual circumstances described above, Sicut was acting in bad faith at the time it filed the application leading to the Registration. The mark was accordingly registered contrary to Section 3(6) of the Act and should therefore be declared invalid under Section 47(1) of the Act."

5. On 12 December 2016, Sicut filed a counter-statement in which it denies all of Axion's claims.

"9. Paragraph 10 of Axion's statement of grounds is disputed. Axion had and still has no rights in the mark 'Ecotrax' in the UK. Axion has not used the mark, has not built any goodwill in the mark and is not known as the proprietor of the mark in the UK.

10. We fail to see how Axion's comments in paragraph 7 of its statement of grounds, relating to its registration of the trade mark 'Ecotrax' in the USA (solely for non metal railroad ties), and its limited use of the mark 'Ecotrax' in various jurisdictions outside the UK provide it with sufficient rights to be afforded protection in relation to the mark within the UK. Furthermore, Axion's statement in paragraph 7 of its statement of grounds that it used the mark in France is incorrect as the interaction it is referring to was purely at Sicut's request in order to arrange delivery of products to one of Sicut's customers.

11. Sicut contends that it used the mark 'Ecotrax' in the UK for the marketing and sale of railway sleepers and railroad cross ties prior to any other party using an identical mark (or any other confusingly similar mark) in the UK.

12. Axion has admitted that it was aware (from the date that Sicut contracted with Axion to manufacture goods for Sicut using the Rutgers Technology) that Sicut was using the mark Ecotrax in the UK (and other territories in which Rutgers had granted Sicut an exclusive licence to use

the Rutgers Technology) in relation to railway sleepers and railroad cross ties at the same time that Axion was using the same mark in the USA. During this time, Sicut sold products incorporating the Rutgers Technology in the UK under the name 'Ecotrax' and as a result built up goodwill and a reputation in relation to the products sold using the mark 'Ecotrax' within the UK and EU. As a result, the mark 'Ecotrax' has become synonymous in the rail industry in the UK and EU with the products sold by Sicut. No objection was raised by Axion to Sicut's use of the mark 'Ecotrax' or attempt made to register the mark 'Ecotrax' in the UK and no request was made to Sicut to enter into a licence for its use of the mark 'Ecotrax'. It would be common for any commercial enterprise that believes it has rights in a trade mark to require anyone using such a mark to enter into a licence and to place restrictions upon how such marks are used. No such agreement was ever proposed or entered into. For the reasons set out in this paragraph, paragraph 7 of Axion's statement of grounds is disputed.

13. Paragraphs 11 and 12 of Axion's statement of grounds are disputed. Whether Sicut manufactures the products sold under the mark 'Ecotrax' or instructs a third party to manufacture them on its behalf is irrelevant. Sicut has spent significant time and money in developing and building goodwill in the mark 'Ecotrax' and it is clear to the public that Sicut is (i) the proprietor of the goods sold under the mark 'Ecotrax'; and (ii) the sole source of railway sleepers and railroad ties made using the Rutgers Technology and sold under the mark 'Ecotrax' in the UK and EU.

14. Paragraph 13 of Axion's statement of grounds is disputed. Notwithstanding the points raised above, Axion was and is prohibited from selling the products that it manufactures under the name 'Ecotrax' in the UK on the basis that these products incorporate Rutgers Technology, which Axion is not licenced to use in the UK (whether directly or indirectly). If Axion were to change the product so as not to use the licenced technology then this would be a new product in which it has no goodwill. Furthermore, it has no goodwill in the word 'Ecotrax' at all in the UK as it has never traded in the UK. Sicut had no requirement to obtain the consent of Axion to register

the mark 'Ecotrax' in the UK. Axion had not used the mark in the UK, had no reputation in relation to the mark in the UK and was prevented by the terms of the Rutgers licence from selling in the UK or the EU the products that it packaged under the 'Ecotrax' mark registered in the USA."

6. Both parties filed evidence. Both sides seek an award of costs.

EVIDENCE

The applicant's evidence

7. Five witness statements have been filed in these proceedings. I do not intend to summarise the evidence here, other than to introduce the witnesses and their positions in the respective companies, identify the number of exhibits filed and provide details of the licences under which both sides conduct their respective businesses. I will refer to the relevant parts of the exhibits themselves throughout this decision.

First affidavit of Claude Brown and exhibits CB1 -CB9

8. Mr Brown is the President of Axion Structural Innovations (the applicant), a position he has held since 29 May 2016, when that company acquired Axion International, Inc.. Mr Brown worked for the earlier company from January 2013, becoming its CEO in August 2014.

9. Mr Brown's evidence concerns events after the filing date of the contested trademark and, in particular, the actions of the proprietor following its registration of ECOTRAX.

Affidavit of Steve Silverman and exhibits SS1 – SS10

10. Mr Silverman is the former CEO of Axion International Holdings, Inc. and its operating subsidiary, Axion International, Inc. (the legal predecessor of the applicant). Mr Silverman refers to 'Axion' throughout his statement, by which he means to include all the Axion companies. Mr Silverman was CEO of Axion from October 2010 until August 2014.

His evidence concerns the creation of ECOTRAX in the US and the relationship between the parties, including their respective licences and agreements. Both parties have had licence agreements with Rutgers University (The State University of New Jersey) which enable them to particular technology which I will refer to as ‘the Rutgers technology’.

Registered Proprietor’s evidence

Witness statement of Deepak Aggarwal and exhibits DA1 – DA11

11. Mr Aggarwal is the Executive Chairman of Sicut Enterprises Limited (the registered proprietor), a position he has held since April 2013, when the company was incorporated. Mr Aggarwal uses the term ‘Sicut’ throughout his witness statement to include Micron Inc. Limited, Sicut Holdings Limited and his present company. Micron Inc. was the original licensee of the Rutgers technology and a predecessor of the present registered proprietor of the contested mark ECOTRAX. Mr Aggarwal confirms that he has worked for Sicut since 2006 and with Axion, in connection with Rutgers technology, since 2007.

Applicant’s evidence in reply

Second affidavit of Claude Brown and exhibits CB10 -CB11

12. Mr Brown’s second statement replies to a number of points raised in Mr Aggarwal’s statement.

Affidavit of William Jordan V

13. Mr Jordan was the Vice-President of Marketing for Axion in October 2014 and was responsible for administering Axion’s trademarks. His witness statement confirms that he had no knowledge of Sicut’s filing of the UK trade mark ECOTRAX and confirms that no discussions were had with regard to granting Sicut the right to file the ECOTRAX trade mark anywhere.

The licence agreements

Sicut's licence

14. Sicut's licence agreement with Rutgers is dated 20 June 2006 and is between Rutgers, The State University of New Jersey (licensors) and Micron Inc. Limited (licensee).²

15. By a deed of novation dated 23 June 2010 all rights under that licence were transferred from Micron Inc. Limited to Sicut Holdings Limited.

16. By a second deed of novation³ all rights under that licence were transferred to Sicut Enterprises Limited.

17. Clause 2.1 of the agreement reads:

"Licence Grant. Except with respect to the rights retained by Rutgers set forth in 2.4, and subject to the terms and conditions set forth in this Agreement, Rutgers hereby grants to Licensee during the term of this Agreement the exclusive right in the Territory and in the Field of Use under the Rutgers Technology to make, have made, use, offer for sale, import and sell licenced products."

18. The Territory is defined as India, Malaysia and the European Union. The section of the licence which deals with the patents on which this licence is based reads as follows:⁴

"Article 11. - PATENT PROSECUTION AND MAINTENANCE

11.1 Prosecution and Maintenance. Rutgers shall diligently prosecute and maintain the patent applications and patents comprising Rutgers Patent Rights using, unless otherwise agreed, counsel of its choice after

² Exhibit DA2

³ Exhibit DA1

⁴ Exhibit DA7

consultation with Licensee. Unless otherwise agreed, Rutgers' counsel shall take instructions only from Rutgers, after consultation with Licensee. Rutgers shall in a timely manner provide Licensee with copies of all relevant documentation so that Licensee may be informed and apprised of the continuing prosecution. Licensee agrees to keep this documentation confidential. Rutgers shall consult with Licensee on all major prosecution decisions and shall consider all such input in good faith. Rutgers shall amend any patent application or file a new application to include claims reasonably requested by Licensee to protect the Licensed Products contemplated to be sold under this Agreement. Except as provided below, Rutgers shall have no obligation to prosecute and maintain any patent application or patent comprising Rutgers Patent Rights outside *the* United States.

11.2 Prosecution and Maintenance Costs.

(a) All reasonable future costs incurred by Rutgers whether billed to Rutgers or not, for preparing, filing, prosecuting, defending, and maintaining all United States patent applications and/or patents, including interferences and oppositions included in the Rutgers Patent Rights, shall be borne by Licensee. Licensee hereby consents to the ordinary and usual costs of maintenance fees for patents filed as of the date of this Agreement.

(b) Licensee shall reimburse Rutgers for reimbursable patent prosecution and maintenance costs incurred by Rutgers within thirty (30) days of receipt of invoice from Rutgers.

(c) Rutgers will provide Licensee with prior written notice in the event that Rutgers elects not to prosecute and/or maintain a patent application or patent included in the Rutgers Patent Rights in any country and, upon such election, Licensee shall have the right to prosecute such patent application or patent in such country or countries at its own discretion and expense. Rutgers shall provide Licensee with ninety (90) days prior written notice of its decision, and such notice shall be given no later than ninety (90) days

prior to a non-extendable deadline for prosecution or maintenance of such patent application or patent in such country.

11.3 Coverage in Additional Countries. Provided Licensee gives Rutgers timely notice of its desire after the Effective Date and financial security to cover the cost thereof, Rutgers shall, at the request of Licensee, endeavor to file, prosecute, and maintain patent applications and patents covered by Rutgers Patent Rights in additional countries, if available.”

Axion’s licence

19. Axion’s licence agreement with Rutgers is dated 1 February 2007 and is between Rutgers, The State University of New Jersey and Axion International Inc.(licensee).⁵

20. Annex B to the agreement lists the current patents in the patent family which make up the ‘Rutgers technology’. Seven of the patents are US patents with no ‘foreign filings’ emanating from them. Two are US patents which have a nationalised filing under the Patent Cooperation Treaty (PCT) in Europe. At the time of this licence agreement, they were pending applications.

21. In his first affidavit Mr Silverman states:⁶

“...I came to learn, in early 2016, that the Rutgers patents upon which Axion and Sicut relied were never nationalized beyond the U.S. and Canada.”

22. In his first affidavit, Mr Brown states:

“With the relevant formulation US patents expiring in August of 2016 and Rutgers’ inability to substantiate the existence of any licensable know-how, in April 2016, Rutgers and Axion terminated the Axion licence effective in August when the Rutgers U.S. patents were to expire with mutual releases.”

⁵ Exhibit SS1

⁶ Paragraph 4

The non-infringement agreement

23. Mr Aggarwal refers to the agreement between the parties as a non-compete agreement. This is not the case. The agreement is clearly marked, 'Non-Infringement AGREEMENT'. It is dated 30 August 2006 and is between Axion and Micron.

24. The agreement is very short and I reproduce it in full, as written:

"IN CONSIDERATION OF Axion International and Micron Inc Limited hereby [sic] agree not to infringe on the segmented territories outlined in the 'agreement' between the two parties.

Axion International coverage is: Russia, Canada, Mexico, Central America, South America, Saudi Arabia and South Korea

Micron Inc Limited coverage is: Europe, India and Malaysia

i. Neither company is permitted to conduct directly or indirectly any promotional sales and manufacturing activity of any kind in the other company's territory without written authorization, as allocated per the agreement with Rutgers University.

ii. China is the only country where both Axion International and Micron Inc Ltd have co-exclusive rights. Therefore Clause (i) does not apply to China.

iii. Each party shall promptly inform the other of any infringement or suspected or threatened infringement of copyright in the collection upon becoming aware of the same. The parties shall then consult together as to the steps to be taken.

iv. This agreement applies to all current and future patents, and new territories allocated to both companies in the future by Rutgers University."

The hearing

25. A hearing took place before me at the IPO's London Office. The applicant was represented by Mr Dan McCourt-Fritz of Counsel, instructed by Abel & Imray. The proprietor was represented by Ms Ashton Chantrielle of Counsel, instructed by Aaron & Partners LLP.

26. Mr Aggarwal attended the hearing for cross examination on certain aspects of his evidence.

The law

27. Section 47(1) of the Act states:

“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).”

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

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

29. The law in relation to section 3(6) of the Act (“bad faith”) was summarised by Arnold J. in *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited*⁷ in the following terms:

“131. First, the relevant date for assessing whether an application to register a trade mark was made in bad faith is the application date: see *Case C-529/07 Chocoladenfabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* [2009] ECR I-4893 at [35].

⁷ [2012] EWHC 1929 (Ch)

132. Secondly, although the relevant date is the application date, later evidence is relevant if it casts light backwards on the position as at the application date: see *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2008] EWHC 3032 (Ch), [2009] RPC 9 at [167] and cf. Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* [2004] ECR I-1159 at [31] and Case C-192/03 *Alcon Inc v OHIM* [2004] ECR I-8993 at [41].

133. Thirdly, a person is presumed to have acted in good faith unless the contrary is proved. An allegation of bad faith is a serious allegation which must be distinctly proved. The standard of proof is on the balance of probabilities but cogent evidence is required due to the seriousness of the allegation. It is not enough to prove facts which are also consistent with good faith: see *BRUTT Trade Marks* [2007] RPC 19 at [29], *von Rossum v Heinrich Mack Nachf. GmbH & Co KG* (Case R 336/207-2, OHIM Second Board of Appeal, 13 November 2007) at [22] and *Funke Kunststoffe GmbH v Astral Property Pty Ltd* (Case R 1621/2006-4, OHIM Fourth Board of Appeal, 21 December 2009) at [22].

134. Fourthly, bad faith includes not only dishonesty, but 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': see *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 at 379 and *DAAWAT Trade Mark* (Case C000659037/1, OHIM Cancellation Division, 28 June 2004) at [8].

135. Fifthly, section 3(6) of the 1994 Act, Article 3(2)(d) of the Directive and Article 52(1)(b) of the Regulation are intended to prevent abuse of the trade mark system: see *Melly's Trade Mark Application* [2008] RPC 20 at [51] and *CHOOSI Trade Mark* (Case R 633/2007-2, OHIM Second Board of Appeal, 29 February 2008) at [21]. As the case law makes clear, there are two main classes of abuse. The first concerns abuse vis-à-vis the relevant office, for example where the applicant knowingly supplies untrue or misleading information in support of his application; and the second concerns abuse vis-à-vis third parties: see *Cipriani* at [185].

136. Sixthly, in order to determine whether the applicant acted in bad faith, the tribunal must make an overall assessment, taking into account all the factors relevant to the particular case: see *Lindt v Hauswirth* at [37].

137. Seventhly, the tribunal must first ascertain what the defendant knew about the matters in question and then decide whether, in the light of that knowledge, the defendant's conduct is dishonest (or otherwise falls short of the standards of acceptable commercial behaviour) judged by ordinary standards of honest people. The applicant's own standards of honesty (or acceptable commercial behaviour) are irrelevant to the enquiry: see *AJIT WEEKLY Trade Mark* [2006] RPC 25 at [35]-[41], *GERSON Trade Mark* (Case R 916/2004-1, OHIM First Board of Appeal, 4 June 2009) at [53] and *Campbell v Hughes* [2011] RPC 21 at [36].

138. Eighthly, consideration must be given to the applicant's intention. As the CJEU stated in *Lindt v Hauswirth*:

‘41...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).'

30. In accordance with the comments of Arnold J. at paragraph 131 of *Red Bull*, the position must be judged at the date on which the application for registration was made: in this case, 10 May 2013. It is also clear that an allegation of bad faith is a serious one which must be distinctly proved.

The ECOTRAX trademark

31. The origin of the trade mark ECOTRAX is described by Mr Silverman in his first affidavit on behalf of Axion:

“4. Both Sicut and Axion were licensees of technologies created by Rutgers University (‘Rutgers technologies’). Rutgers originally licenced a number of patents and pending patent applications to both Axion and Sicut concerning a specific polymer recycling technology which could be used to manufacture composite railroad ties (sleepers)...

...

8. Early on, no trademarks were used on our manufactured products. Axion created the trademark ECOTRAX in around early 2011, and first used it to represent its railroad ties in the marketplace (initially in the US) from May 2011. I was of the opinion that branding Axion’s railroad products – with a brand which alluded to their environmental benefits – would enhance our market identity, distinguish us from competition and help promote sales...Axion filed to register the ECOTRAX mark in the US on 4 August 2011. The US registration was granted to Axion on 21 May 2013...”

32. The fact that Axion was the originator of the mark ECOTRAX and registered the mark in the US is not disputed by Sicut.⁸ Nor does Sicut dispute that Axion sells ECOTRAX products directly to its customers in its territories specified in the Rutgers technology licence.

Axion's business

33. In late 2012,⁹ Axion advertised its ECOTRAX products in a UK based publication, 'Urban Transport Agenda'.¹⁰ The first page of the advertisement contained in the exhibit includes photographs of Axion's ECOTRAX composite railway sleepers in use, inter alia, in Sao Paulo – Brazil, Santiago – Chile and on DART's Trinity Railway Express in Dallas, Texas.

34. The second page of the exhibit describes the nature of Axion's products as follows:

"Recycled composite railway sleepers have been installed internationally. They excel in harsh conditions where traditional materials have limited service life. Third-party testing of AXION's ECOTRAX recycled composite sleepers after ten years of revenue service on a high-volume transit line revealed no degradation, achieving well above industry standard specifications."

35. The last paragraph on the same page is titled, 'Worldwide capability' and reads as follows:

"Working with international railways, AXION has engineered its ECOTRAX recycled composite railway sleeper to meet specifications worldwide. The adaptability of AXION's licenced technology indicates a capability beyond what was originally conceived in the development of structural plastic lumber."

⁸ Mr Aggarwal confirmed under cross-examination that this was his and Sicut's belief.

⁹ Confirmed to be October 2012 during cross-examination (page 9 of the transcript).

¹⁰ See exhibit SS9 attached to Mr Silverman's first affidavit.

Axion is described, on the third page of the exhibit, as “a green technology company, transforming waste plastics into structural building materials.”

The manufacture of goods sold under the ECOTRAX trademark

36. There are two points of dispute regarding the manufacture of goods sold under the contested trade mark. The first is Sicut’s claim to have manufactured goods under the trade mark prior to filing the ECOTRAX mark in the UK. In his witness statement Mr Aggarwal stated:

“The rights granted to Sicut under the Licence have been used by Sicut for the manufacture, marketing and/or sale of railway sleepers in the Territory since 2006...”

37. The second is Sicut’s claim that it instructed Axion to manufacture ECOTRAX goods to Sicut’s own specification. The nature of the ECOTRAX product manufactured by Axion is described in the first affidavit of Claude Brown:

“14. It is important to note that the patents relating to the Rutgers technologies are formulation patents showing very wide ranges of generically described components. They do not explain how to make Axion’s ECOTRAX products. Neither Rutgers nor Sicut is aware of the specifics of Axion’s actual formulations, forming techniques or manufacturing process. It took Axion years to perfect its formulations, techniques and processes which were then used to manufacture our ECOTRAX products.

15. At no time was Axion under any obligation to share its manufacturing process, techniques, exact formulations or application engineering with either Rutgers or Sicut. Neither entity has ever had access to this confidential, commercially sensitive information which information is proprietary to Axion.”

38. In his first affidavit, Mr Silverman also deals with the first point:

“17. At no time while I was Axion’s CEO, did Sicut independently manufacture or contract any person other than Axion to manufacture any railroad or related products based on the Rutgers technologies. At the time when Sicut applied for the UK registration, Axion was the only manufacturer of the ties which incorporated the Rutgers patents.”

39. Under cross-examination Mr Aggarwal eventually accepted that Sicut had not manufactured composite sleepers itself prior to applying for the trade mark ECOTRAX in the UK.

Control of the goods and their specification

40. In his first affidavit Mr Silverman contests Sicut’s position that Axion was a manufacturer making the goods under the ECOTRAX mark for Sicut, to Sicut’s specification.

“11. I note that Sicut alleges in its counter-statement that the ties were produced by Axion in accordance with their specifications. That is completely false. Our ECOTRAX ties supplied to Sicut were always made according to our own specifications. This is made clear by the orders which Sicut placed for our ECOTRAX ties to be supplied to its UK customers. I attach marked SS4 copies of various sales orders placed by Sicut from 5 December 2013 onwards which clearly show that the products to be supplied are to be in accordance with Axion's ECOTRAX product specifications and no modification to Axion's formulations, manufacturing processes, product designs, specifications or performance requirements were made for product provided to Sicut.

12. It is to be noted that the specification supplied by Axion and attached to the Sales Orders received from Sicut refers to the registered mark ECOTRAX (denoted by a •). That is clearly Axion's trade mark referred to as Axion's contact details are shown on the bottom of the specification.

13. *The wording on the orders 'All Goods to meet Supplier's 2013 ECOTRAX Material Performance Specification attached' further confirms that Axion (the Supplier) was responsible for the specification of the products. This had to be the case because Sicut had no manufacturing capability for the products..."*

41. I find that Axion was the sole manufacturer of goods sold under the ECOTRAX trade mark and that goods ordered from Axion by Sicut were manufactured to Axion's own specifications. It is Axion which was responsible for the safety and technical licences for the product and it was its own proprietary manufacturing process which was used. Furthermore, that process was not shared with Sicut at any point during their relationship.

The registration of ECOTRAX in the UK

42. In his witness statement, Mr Aggarwal claims that Sicut believed the ECOTRAX mark was 'inextricably linked' to the Rutgers licence. Under cross-examination, Mr Aggarwal accepted that Rutgers had no interest in the ECOTRAX mark and could not licence the mark. He also accepted that Axion came up with ECOTRAX and used it in the territories that were licenced to Axion by Rutgers University. Having confirmed these points, Axion's counsel questioned Mr Aggarwal regarding the reason Sicut thought it could register ECOTRAX in the UK:

Q. So Sicut had no right to use the mark at all, did it?

A. Of course it did. ECOTRAX is related to Rutgers technology and Sicut technology.

Q. No. Sicut had a right to use the technology, yes?

A. Yes.

Q. That right was derived from the Rutgers licence?

A. Yes.

Q. But it had no right to use the mark...

43. At this point Mr Aggarwal stated that it was agreed with Steve Silverman that both Axion and Sicut would jointly develop the markets. He said:

“They would market ECOTRAX in their territory, we would register the mark in our territory and build the reputation of the technology.”

44. This was something that neither Sicut nor Mr Aggarwal had mentioned at any point in these proceedings prior to the cross-examination by Axion’s Counsel. Axion’s Counsel responded:

“If that were true, Mr Aggarwal, that would have been the first paragraph of your affidavit. You would have said, ‘Mr Silverman told me we could use ECOTRAX in our territories’.”

45. When asked again on what basis Sicut believed it could use the mark ECOTRAX, Mr Aggarwal replied that Sicut registered the trade mark. Axion’s Counsel asked the question a third time, at which point Mr Aggarwal stated:¹¹

“We are going out to the customers, marking a product with ECOTRAX, which is related to the Rutgers technology. We are out there to protect the technology and to protect the goodwill that we have created. That is why we registered the trade mark.”

46. Mr Aggarwal was taken to exhibits DA4 and DA6 which he purported to show use of ECOTRAX by Sicut prior to its filing of the UK trade mark application. These documents are dated June 2014 and November 2013 - both after the relevant date. Mr Aggarwal finally accepted that Sicut had not provided evidence to demonstrate that it had used ECOTRAX before the date on which it applied for the trade mark.

47. I do not accept that Sicut had an agreement with Axion that Sicut could register the ECOTRAX mark in the UK and develop a market under the mark in that territory. If that were the case, given that these proceedings are founded entirely on a s. 3(6) ground for which Sicut’s knowledge is a key factor, I find it incredible that such a reason would have been omitted from Sicut’s counter-statement and all of its written evidence and submissions, being raised for the first time when Mr Aggarwal was being

¹¹ Page 23 of the transcript.

cross-examined. I find favour with the point made by Axion's counsel, that if true, this would have been Sicut's first line of defence.

48. With regard to Mr Aggarwal's submission that it was Sicut's belief that it had a right to use ECOTRAX as it was inextricably linked to the Rutgers technology, this mixes up the right to use the Rutgers' technology with the right to use the ECOTRAX trade mark. The initial licences between the two parties and Rutgers University were made in 2006 (Sicut) and 2007 (Axion). The ECOTRAX trade mark was created and first used by Axion in 2011, a fact that Mr Aggarwal accepted at various points under cross-examination. He also accepted that the mark had nothing to do with Rutgers and that they were unable to licence it. It follows that the ECOTRAX mark does not appear in either licence agreement with Rutgers or the agreement between the parties themselves.

49. Mr Aggarwal's third reason for believing Sicut had a right to register the trade mark appears to be to protect the goodwill that Sicut had built up under the ECOTRAX mark. As I have already concluded, no evidence has been provided to support the existence of any such goodwill. Not a single document has been put into evidence by Sicut which shows any sales or marketing of ECOTRAX goods in the UK prior to the relevant date.

50. I pause here to note that another area of dispute between the parties is Axion's claimed use of ECOTRAX in the UK prior to the relevant date. In support of this claim it relies on the advertisement referred to above, which was placed in the magazine 'Urban Transport Agenda' in October 2012. I do not accept that that is sufficient to show that Axion had created goodwill under ECOTRAX in the UK. The contact numbers and company information included within the advertisement all relate to the US; I have no indication of the number of people or businesses who may have been exposed to the advert, nor any evidence of sales resulting from it.

51. I find, based on the evidence provided, that neither party has shown that it had acquired goodwill under the ECOTRAX trade mark in the UK prior to the relevant date.

52. Returning to Mr Aggarwal's reasons given under cross-examination for the belief that Sicut could register ECOTRAX in the UK, the only point remaining is the claim

that Sicut had a right to register the trade mark because it registered it. This is another way of saying that the onus is on Axion to make out a *prima facie* case that the UK filing was an act of bad faith. And in the absence of such a *prima facie* case, Sicut does not have to justify its actions. I accept that.

Post-filing conduct

53. Axion has filed a number of exhibits which relate to Sicut's post-filing conduct which it submits support a finding of bad faith on the part of Sicut. In his first affidavit dated, 3 August 2017, Mr Brown states:

"27. Sicut is currently using the ECOTRAX mark misleadingly to refer to Axion's products as Sicut's products, for example 'Sicut's ECOTRAX Railway Sleepers have been shortlisted for the MRW Best Recycled Product 2014'.¹² In 2014, only Axion was producing any ECOTRAX products...

28. One of the most recent news items on Sicut's website (attached at Exhibit CB7) also indicates that Sicut has now signed an Agreement with Regain Polymers to manufacture ECOTRAX sleepers in the UK...It is this use which is of most concern and demonstrates that Sicut has and continues to act in bad faith, not only at the time of filing as highlighted by Steve Silverman, but also after the filing of the UK Application. It is one thing to use the ECOTRAX mark to promote the products manufactured by Axion (as Axion authorized Sicut to do during the currency of its commercial arrangement with Sicut); it is quite another to use Axion's mark ECOTRAX in relation to products manufactured by a third party without Axion's consent.

29. Having relied on Axion's ECOTRAX products in the absence of their own manufacturing capability, Sicut now seeks to misrepresent that it is the owner of our ECOTRAX mark to third parties in relation to products which

¹² Exhibit CB6

it knows cannot possibly be equivalent (Axion never having shared its proprietary manufacturing processes with Sicut).

30. As at today's date, there are still a number of documents remaining on Sicut's website which are copied directly from Axion materials. For example, Sicut's Mechanical Performance Data sheet is identical to the specification of Axion's ECOTRAX products and the ECOTRAX-AREMA comparison is copied verbatim from Axion's website. The test reports which are the basis for Axion's listing of product properties are owned or exclusive to Axion from its customers and no technical findings were the shared property between Axion and Sicut."

54. Axion has provided copies of the technical specifications for the goods which are currently shown on Sicut's websites.¹³ It has also provided the technical specifications of Axion's ECOTRAX goods.¹⁴ They are identical. Mr Brown continued:

"31. I note that there are also news items which state Sicut's products were tested and certified by SNCF between 2009 and 2012 (the period during which Axion was supplying its ECOTRAX rail ties for Sicut) ... It is only Axion manufactured ties and directly supplied ties that are certified by railroads. Sicut was not a party to any of the safety and testing agreements between Axion and France's SNCF rail authority. SNCF has in the past refused to deal with Sicut as they do not have the proven manufacturing capability that Axion has and as it was SNCF's policy to deal directly and only with the actual manufacturer."

55. Axion has provided a copy of the page from Sicut's website.¹⁵ A 'SICUT' mark is shown at the top of the page, followed by a photograph which looks to be from a manufacturing facility. Under the photograph is the heading, 'Sicut's Ecotrax Railway Sleepers passes SNCF lab testing', followed by:

¹³ See CB8, pages 1 and 2

¹⁴ See CB8, pages 3 and 4

¹⁵ See exhibit CB9

“Ecotrax® Sleepers have successfully passed SNCF’s vigorous laboratory testing program. The SNCF/RFF evaluation process started in 2009, and continued until 2012 when the first laboratory testing was conducted at SNCF’s independent testing facilities in France.”

56. Mr Brown concludes:

“32. Whilst the mechanical properties data sheet displayed on Sicut's website is identical to Axion's specifications which were attached to the orders at Exhibit CB1, the performance of Axion's products, as explained above, cannot in any way be readily replicated by Sicut, as Sicut does not have access to or knowledge of Axion's proprietary manufacturing process nor specific formulations.

...

35. Quite transparently, Sicut has attempted to misappropriate the mark ECOTRAX and prevent Axion from selling its own ECOTRAX products in the UK and EU, which Axion would now be permitted to do were it not for Sicut’s Trade Mark Registration.”

57. The only submission made by Sicut with regard to the information contained on its website is the point made by Mr Aggarwal that conduct after the filing date is irrelevant. The case law¹⁶ is clear that where such conduct casts a light backwards it can be relevant and I find that to be the position here, because it shows a propensity on the part of Sicut to exploit Axion’s technical data and testing records for products sold under the ECOTRAX mark to its own commercial advantage.

58. Axion’s claim under the 3(6) ground is essentially that Sicut’s registration of ECOTRAX in the UK is an attempt to block Axion from entering the UK market - in other words, it is a pre-emptive registration. I bear in mind the following:

¹⁶ *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2008] EWHC 3032 (Ch), [2009] RPC 9 at [167] and cf. Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* [2004] ECR I-1159 at [31] and Case C-192/03 *Alcon Inc v OHIM* [2004] ECR I-8993 at [41].

59. In *Daawat Trade Mark*¹⁷, Mr Geoffrey Hobbs QC, as the Appointed Person, upheld a decision to invalidate a registration under s.47 and s.3(6) of the Act. He did so on the basis that it had been established that the application for registration was:

- made in the knowledge of the applicant's trade in identical goods under an identical mark in other markets, and
- motivated by a desire to pre-empt the applicant's entry into the UK market in order to secure a commercial advantage in negotiations with the trade mark holder.

60. Leaving aside the licence agreements, which I will return to shortly, on a strict application of the law, Axion had no protectable rights in the UK at the date on which Sicut applied for the ECOTRAX mark in the UK. Axion's business and trade mark registration in the US do not give it any 'overflowing' rights in the UK.

61. However, it is clear from the evidence that Sicut must have known, at least, that Axion was the only manufacturer of the goods sold under the ECOTRAX trade mark, that Axion was responsible for gaining the testing certificates for the goods and that Axion has kept its manufacturing process to itself and has not shared it with any third parties, including Sicut.

62. Regardless of Sicut's specific knowledge regarding the patents and their coverage in various jurisdictions, Sicut must have known, at the outset of the licence agreement with Rutgers, when the patents for the technology would expire. Given that the US patents expired in August 2016 and any onward filings from those patents could not be in force for longer than 12 months after that date, Sicut must have had a reasonable expectation that all of the Rutgers technology licences would expire some time in 2017.

63. The products at issue here are of international appeal and the market is a discreet one. Furthermore, Sicut knew that Axion sells its goods under the ECOTRAX mark

¹⁷ [2003] RPC 11

directly, where it can. Taking all of these factors into account, I find it hard to believe that Sicut did not expect Axion would enter the UK market, with the goods that it manufactures, under its own trade mark, as soon as it was free to do so.

64. In addition, it is clear from the evidence filed regarding Sicut's website content that Sicut claims to be responsible for ECOTRAX goods successfully tested in France between 2009 and 2012 and claims responsibility for ECOTRAX goods nominated for an award in 2014. The evidence has shown Sicut to have had no manufacturing capability during this period, nor any knowledge of the manufacturing process, which Axion has not shared. Such behaviour is consistent with the trade mark application being part of a pattern of behaviour intended to take unfair advantage in the UK of Axion's international reputation under the ECOTRAX mark.

65. I find that Sicut's application for the trade mark ECOTRAX on 10 May 2013 was, in light of all of the relevant factors, partly a pre-emptive move to prevent the applicant from entering the UK market and partly motivated by a desire to take advantage of the standing of ECOTRAX products in other markets.

66. Having decided that there is a prima facie case of bad faith, I will go on to consider whether the licence agreements and the non-infringement agreement between the parties gave Sicut grounds for believing that, contrary to what one would have thought, Axion would not enter the UK market and/or Sicut had the right to register ECOTRAX in the UK, whether or not Axion could be expected to want to extend its trade under the ECOTRAX brand to the UK.

67. In his witness statement Mr Aggarwal's submits:

"6. Both Sicut and [Axion] were aware of each other's licences with Rutgers, particularly regarding the territorial exclusivity granted to each licensee, and in the period following the grant of their respective licences, Sicut and [Axion] developed a strong and positive business relationship. Both parties understood that the terms of their respective licences meant neither party could compete with the other in the manufacture, marketing and/or sale of products incorporating the Rutgers Technology in the others [sic] territories.

Both Sicut and [Axion] were therefore happy to work together to develop products using the Rutgers Technology, that each would sell in its respective territories. The assertions made by Steve Silverman in his affidavit that he now believes that the licences granted by Rutgers are unenforceable are irrelevant in relation to the question of bad faith in 2013...

9. Any lack of understanding (by either party) of UK Intellectual property law and/or the rights and protections granted under the licences does not in any way take away from the fact that Sicut honestly believed when filing its application that [Axion] both did not intend to and was not able to trade in the UK using this mark and that the registration therefore of the Trade Mark could not have any detrimental impact on it...

14...The actions of the parties after the date of the application, especially some years after the application, are irrelevant to whether Sicut acted in bad faith in registering the trade mark.”

68. Mr Silverman, in his first affidavit for Axion, states that in 2016 Axion became aware that the US patents on which Axion's licence depended had never been naturalised beyond the US, in other words, there were not any EU patents for the same technology (on which part of Sicut's licence was based). Mr Aggarwal and Sicut have not disputed this point, rather they claim that this is irrelevant to the question of bad faith in 2013 and that 'lack of understanding' of UK intellectual property law by either side does not take away from Sicut's belief that Axion could not and would not trade in the UK.

69. I disagree. Sicut's knowledge as to the existence of the EU patents on which part of its licence from Rutgers University was based, and the non-infringement agreement between the parties, is the entire basis on which Sicut relies to show that it believed Axion could not trade in the UK under the ECOTRAX mark.

70. I note that the original licence was between Micron and Rutgers with the rights under the licence transferred to Sicut Holdings by a deed of novation on 22 June 2010. The rights under the licence were assigned again, by deed of novation, from Sicut Holdings to Sicut Enterprises, on 4 July 2013. Sicut and its predecessors are

businesses for which the Rutgers technology and the Rutgers licence are key. I find it highly unlikely that Sicut did not, at any point during the duration of the Rutgers licence, seek to establish the status of the patents in the EU on which its business so heavily relied, particularly as the patents would have been renewable on an annual basis and Sicut could reasonably have expected to be liable for those renewal fees under the terms of its licence.

71. Turning to the agreement between the parties to these proceedings, this was referred to by Mr Aggarwal as a non-compete agreement. It is clear from the agreement itself that it is a non-infringement agreement. This is a significant distinction as for a non-infringement agreement to function, there must be something to infringe. The scope of the agreement is clear:

“iv. This agreement applies to all current and future patents, and new territories allocated to both companies in the future by Rutgers University.”

72. I cannot be sure of Sicut’s state of knowledge regarding this agreement at the time at which it was signed. However, given my findings above, I find that on the balance of probabilities, Sicut knew, before 10 May 2013, that there were no valid patents protecting the Rutgers technology in the EU. So there was nothing on which the non-infringement between the parties could bite.

Conclusion:

73. Earlier in this decision I found that Axion was using the ECOTRAX mark outside the UK in relation to goods of appeal to a niche international market. Sicut knew that the applicant would wish to enter the EU/UK market once it knew it was free to do so and Sicut had no goodwill under the mark ECOTRAX at the relevant date.

74. The applicant’s intention at the relevant date appears to have been to register ECOTRAX with a view to preventing the applicant from entering the UK market and motivated by a desire to take advantage of the standing of ECOTRAX products in other markets. I find that this behaviour fell below the standards observed by

reasonable people in the relevant field of business. Subject to the effect of the licences and agreements, the trade mark application was therefore an act of bad faith.

76. The licence agreements cover the technology used in the goods sold under the mark, but not the ECOTRAX mark itself. These licences and the non-infringement agreement depend on the existence of enforceable patents. Sicut knew there were no enforceable patents preventing Axion from marketing and selling its products in the EU, directly. Even if, as Sicut claims, it did not know, it knew in 2013 that any patents were coming to an end. Either way, it knew that the applicant would probably want to enter the UK market under ECOTRAX in the foreseeable future. Sicut cannot therefore have reasonably believed, as it claims, that Axion was prevented from using its mark in the UK.

77. In conclusion, Sicut has no effective answer to the charge of bad faith through pre-empting the entry into the UK market so as to secure an unfair advantage in the UK market.

78. The application under section 3(6) succeeds.

COSTS

79. The application for invalidation having succeeded, Axion is entitled to a contribution towards its costs. At the conclusion of the hearing Axion's Counsel submitted that costs off the scale may be appropriate depending on my findings. Sicut's Counsel submitted that, if it should lose, it should be entitled to some of its costs due to the grounds withdrawn by Axion earlier in the proceedings.

80. Tribunal Practice Notice 2/2000 states that Hearing Officers will be prepared to exceed the usual scale of costs when circumstances warrant it, in particular, but not exclusively, to deal proportionately with breaches of rules, delaying tactics and other unreasonable behaviour.

81. The fact that Sicut is subject to an adverse finding under 3(6) is not, in itself, sufficient to warrant an award of costs above the usual scale in Axion's favour. Sicut

has not breached the rules of this tribunal, nor has it engaged in delaying tactics. In terms of its conduct during these proceedings and the way in which Sicut has chosen to run its defence, I do not find there to be any reason to conclude that it's behaviour has been unreasonable.

82. With regard to Sicut's claim, the grounds which were not pursued by Axion were withdrawn by letter dated 10 March 2017, before either side had filed its evidence in chief. Consequently, I do not find that Sicut has been unduly inconvenienced by Axion's decision to withdraw grounds from its application and decline to make an award in Sicut's favour on that basis.

83. I award the following costs:

| | |
|--|------|
| Official fees: | £200 |
| Preparing the notice of opposition and considering the counterstatement: | £300 |
| Preparing evidence: | £700 |
| Preparing for and attending a hearing: | £700 |

84. I order Sicut Enterprises Limited to pay Axion Structural Innovations LLC the sum of £1,900. These costs should be paid within 14 days of the date of this decision or, if there is an appeal, within 14 days of the conclusion of the appeal proceedings (subject to any order of the appellate tribunal).

Dated this 16th day of August 2018

**Ms AI Skilton
For the Registrar,
The Comptroller-General**