

O/514/20

TRADE MARKS ACT 1994

**IN THE MATTER OF
UK TRADE MARK REGISTRATION NO. 3146860
IN THE NAME OF JOHN BLYTH WHEELER:**

MR. WHEELER

AND

**AN APPLICATION FOR A DECLARATION OF INVALIDITY
UNDER NO. 502384
BY LAY & WHEELER LIMITED**

Background

1. This decision concerns a dispute over whether the registered proprietor of a trade mark subject to invalidation proceedings may withdraw his defence without permission and whether a default decision may result.

2. On 28 January 2016, John Blyth Wheeler applied to register the trade mark **MR. WHEELER** under number 3146860. The trade mark was registered on 6 May 2016. An application for invalidation of the trade mark was filed on 4 December 2018 by Lay & Wheeler Limited (“the applicant”). The proceedings have been convoluted but were listed for a substantive hearing on 12 October 2020. On 17 September 2020, a surrender in full of the trade mark was recorded on the register. As a surrender does not take effect from the filing date, the applicant was asked whether it wished to continue with proceedings; it indicated that it did. On 28 September 2020, Mr Wheeler’s professional representatives wrote to the tribunal indicating that, in order to avoid the costs involved in a hearing, Mr Wheeler would consent to an order that the trade mark be invalidated and would agree to pay the applicant’s costs, on the Registry scale. The tribunal advised the parties that it has no power to issue a consent order but that Mr Wheeler could withdraw his defence, resulting in a default decision under rule 41(6) of the Trade Mark Rules 2008 (“the Rules”). On 29 September 2020, Mr Wheeler withdrew his defence and confirmed that he agreed to the issue of a default decision invalidating the trade mark. The applicant disputes that Mr Wheeler may withdraw his defence and that a default decision may be issued. The hearing listed for 12 October was replaced with a Case Management Conference to discuss the matter. The applicant was represented by Michael Edenborough QC and Mr Wheeler by Lindsay Lane QC. Both parties filed skeleton arguments.

The submissions

3. The applicant’s position is that it is impermissible for the proprietor of a trade mark to withdraw its defence. It says that the Rules provide only two ways in which an invalidation action before the Registry can be resolved without a decision on the merits. These are the failure to file a form TM8, under rule 41(6), or the failure of an applicant to file evidence, under rule 42(4). It says that, whatever happens

subsequently, once a defence has been filed rule 41(6) can no longer apply. The tribunal is, in its submission, bound to issue a decision on the merits. Mr Edenborough submitted that the long-established Registry practice of allowing parties to withdraw all or part of their case is wrong because it re-writes history, creating a substantial jurisdiction where none existed; in the alternative, it is a red herring, because the tribunal does not in fact allow a party to withdraw, it merely allows it to discontinue the prosecution of a claim, which lies where it falls. He further submitted that if the tribunal does have discretion to allow the withdrawal of a defence, such discretion must be exercised judicially and result in a decision on the merits, not a default decision on the sole basis that the application is undefended. Mr Edenborough cautioned against the application of the principles of the overriding objective, which does not feature in the statutory provisions governing Registry proceedings. He also pointed out that the Civil Procedure Rules do not provide for the withdrawal of a defence and that if a defendant elects not to proceed in High Court proceedings, it will not result in a default judgment. He submitted that, as a defence was filed, the applicant had and has a legitimate expectation that a decision would be made on the merits.

4. Mr Wheeler's position is that the tribunal has the power to regulate its own proceedings where precise procedures are not laid down in the legislation. Ms Lane submitted that allowing a defendant to withdraw its defence does not create a substantial, or substantive, jurisdiction and that a default decision would satisfy the requirements of rule 69. Further, allowing Mr Wheeler to withdraw his defence resulting in a default decision is consistent with the overriding objective, which she argued does apply to Registry proceedings, in particular because it saves expense, allots a proportionate share of the tribunal's resources, and deals with the case proportionately, fairly and expeditiously. Ms Lane pointed out that, although in the Court default decisions are not issued after the filing of a defence, the Court does have the power to issue consent orders. Ms Lane also argued that, if the fairness of allowing Mr Wheeler to withdraw his defence needs to be considered, the applicant will get the remedy it sought, the loss of a tactical approach is not a real unfairness and Mr Wheeler's right to undertake proceedings in another forum must be borne in mind.

Decision

Jurisdiction

5. Mr Edenborough is, of course, correct that the tribunal is a creature of statute, its powers deriving from the Trade Marks Act 1994 (“the Act”) and the Rules. However, it has long been acknowledged that the registrar has an inherent power to regulate his own procedure, the authority most commonly cited being *Pharmedica GmbH’s Trade Mark Application* [2000] RPC 536, where Pumfrey, J. said, at p. 541:

“Notwithstanding the fact that the registrar is, like the county court, a tribunal which is established by statute, I have no doubt that the registrar has the power to regulate the procedure before her in such a way that she neither creates a substantial jurisdiction where none existed, nor exercises that power in a manner inconsistent with the express provisions conferring jurisdiction upon her”.

6. This inherent power for the registrar to regulate his own procedures is necessary because the Act and Rules do not provide for every circumstance of litigation. The withdrawal of all or part of a party’s case is one such circumstance which is not governed by a specific statutory provision. However, it has long been Registry practice that parties may abandon the whole or part of their claim. An opponent or applicant for cancellation may withdraw their objection or part of it, an applicant for registration may drop part of its defence (for example, a claim to honest concurrent use).¹ None of this requires permission. A proprietor in an invalidation, as in this case, is in a more difficult position if he wishes to give up: surrender of the trade mark does not take effect as at the filing date, so surrendering the mark will not dispose of proceedings unless the applicant agrees to withdraw the application for invalidation. The only possible remedy to bring proceedings to an immediate end is to withdraw the defence in its entirety, thus accepting that the claim should succeed by default.

¹ An applicant for registration may also bring an end to proceedings by withdrawing the trade mark application but this has a statutory basis (s. 39 of the Act).

7. I start with the question of whether the tribunal's practice of allowing parties to withdraw all or part of their claim is permissible, or whether this creates a substantial jurisdiction where none existed. First, I do not accept the argument that the dropping of a claim is a discontinuance rather than a withdrawal. The claim does not lie on the record open but undecided; on the contrary, the assertions as to validity or registrability are considered withdrawn, the case is closed and the mark either proceeds to registered status or the cancellation information becomes a historic rather than live detail on the mark's record. In determining costs, the view would generally be taken that the withdrawal of an opposition or cancellation action, or a trade mark application, represented a successful outcome for the opposing party, to whom costs would be awarded. In addition, it would be contrary to the need for certainty and finality of litigation if withdrawn claims were treated as discontinuances, leaving open the possibility that a party might try to revive the claim at a later date. It cannot be right that a party should be subject to the indefinite threat that the opposing party might try to reignite proceedings. All of this points to the withdrawal of an action being precisely that: an irrevocable concession of the claim in the round, if not an admission of its constituent parts.

8. The tribunal's purpose is to resolve disputes between parties about the registrability or validity of trade marks. Whilst the public interest may be a factor, particularly where non-use or absolute grounds are concerned, the tribunal does not examine issues of validity or registrability of its own motion: it will look exclusively at the issues raised by the parties. The remedy in such disputes is simply that the status of the mark on the register reflects the result of the proceedings, i.e. whether the trade mark is refused, registered, is cancelled or maintains its registered status, in whole or in part. In many cases, that will be the result of a reasoned decision made on the merits of the case but not all. Negotiated settlements, for example, are common and often result in the withdrawal of the claim or the trade mark application, or both.

9. I see no good reason why a party, whether a claimant or defendant, should not be allowed to withdraw the whole of its statement of case, or why a party who seeks to rely on a particular pleaded point should not be allowed to withdraw their reliance on such a point. The reasons for withdrawing may be various: a party may withdraw a point for tactical or business reasons, or it may be because further information has

come to light and that party no longer considers its original position tenable. Whatever the motivation, if a party who has asked the tribunal to adjudicate on a point comes to the view that such adjudication is no longer necessary, allowing it to drop the point without permission merely restricts the scope of the tribunal's enquiry in light of emerging information, putting the proceedings on the footing they would have had originally if that party had been possessed of all of the information at the start. I see no inconsistency with the requirement for permission to amend a case: altering one's pleadings, by changing the nature of the claim or adding to it, has an impact not only on the issues to be decided but may result in additional costs for the other side and delay in the resolution of proceedings; withdrawal disposes of the issue altogether and causes no delay or extra cost. Moreover, the dropping of a point of dispute, whether claim or defence, has the effect of conceding the point to the other side. There is no unfairness in this: any detriment is to the party withdrawing the claim. I would add that even if Mr Edenborough were right and a withdrawal is in fact a discontinuance, the effect is the same: the proceedings are closed with no further action from the Registry. Permitting an applicant for cancellation to change its mind but not allowing a proprietor to do likewise would create an inherent unfairness between the parties.

10. The applicant's position is that the withdrawal of a claim may lead to a tactical disadvantage. However, any such disadvantage does not concern the proceedings in the Registry, though it may affect other dealings between the parties dependent on findings in the Registry. That is not, in my view, a relevant disadvantage, because it does not have a negative impact on a party's ability to prosecute (or win) its case before the Registry. It is true that costs will have been incurred as a result of the proceedings but an award may be made to compensate for that.

11. As to the overriding objective, I accept that the Trade Marks Manual is an indication of practice and not a legislative provision. However, there is no good reason why the tribunal should not operate broadly in line with the overriding objective, the first principle of which is to deal with cases justly and at proportionate cost. The Registry's approach of allowing a claim to be withdrawn in whole or part at any stage of proceedings allows a party to concede defeat, lets the other side win its case without further delay or expense and results in the remedy which was sought being obtained. The absence of a requirement for permission means that the finite resources of the

tribunal are not wasted on deciding whether the withdrawal should be allowed (which, if the other side resists, could give rise to procedural hearings such as the one in this case), or determining matters, including the overall fate of a trade mark, when they are no longer in dispute. To do otherwise would not, in my judgment, be a proportionate use of the tribunal's limited resources and would not result in the expeditious resolution of proceedings; on the contrary, it would prolong them. I accept that the High Court does not provide for the withdrawal without permission of a defence but it does have the power to issue consent orders, which the Registry does not. The fact that the mechanism in Registry proceedings is different by necessity does not strike me as inconsistent with the overarching principle that valuable court or tribunal time should not be spent deciding cases where one of the parties has thrown in the towel.

12. All of this leads me to conclude that the established practice of allowing parties to withdraw all or part of their statement of case without permission does not create a substantial jurisdiction where none existed. It is in my judgment consistent with the legislative provisions under which the tribunal operates. I reject the applicant's argument that a party cannot withdraw its statement of case in whole or in part, as I do its argument that permission to do so is required.

Procedure

13. Having decided that much, the question now is whether a default decision under rule 41(6) is appropriate, or whether a reasoned decision on the merits must follow. There is no dispute that a decision of some description must be issued. Mr Edenborough says that in all circumstances, save for when rules 46(1) or 42(4) are engaged through the failure to file a TM8 or evidence, a decision must be made on the merits in order for the case to be brought to a conclusion, although he accepts that determination of the key issues would suffice. Ms Lane says that a default decision satisfies the requirements of rule 69 and is all that is needed.

14. I will say at the outset that rule 69 requires no more than that any decision by the Registry be in writing and that reasons be given. I see no reason why a default decision or a decision very briefly expressed would not, in principle, satisfy these two basic conditions.

15. Rule 41(6) reads as follows:

“The proprietor shall, within two months of the date on which a copy of Form TM26(1) and the statement was sent by the registrar, file a Form TM8, which shall include a counter-statement, otherwise the registrar may treat the proprietor as not opposing the application and registration of the mark shall, unless the registrar otherwise directs, be declared invalid”.

16. Given my decision, above, there is now no defence in the present case. I accept that rule 41(6) sets out the procedure if a TM8 is not filed in the first place and that there is no express provision regarding cases where a defence is withdrawn later in proceedings. However, there is no reason to believe that a different course should be taken in such circumstances; there is no provision which would prevent the registrar from considering the application unopposed, or which suggests it is inappropriate to do so, resulting in the invalidation of the registration. On the contrary, treating the application as unopposed and proceeding on the presumption that the registration should be invalidated would be compatible with the statutory provisions laid down for disposal of a case where no defence is ever filed. The alternative would be to continue proceedings and issue a decision on the merits in a (now) undefended case, which is nowhere foreshadowed in the statutory provisions. The former is more consistent with the existing legislation.

17. As to the nature of the decision and the applicant’s contention that a determination of at least the key underlying issues is necessary, it seems to me that the wording of rule 41(6) requires the Registrar to assume that the facts are as claimed by the applicant, resulting from a failure to deny those facts rather than an admission of them. The grounds for invalidating a mark in these circumstances are the pleaded grounds (in this case, ss 5(2)(b), 5(3) and 5(4)(a)), which are accepted by the Registrar because the proprietor is treated as not opposing the application. There is a discretion in the rule, which can and must be used to avoid the invalidation of a trade mark in an unopposed application where the facts alleged, even if true, would be insufficient to support the legal basis of the application. However, where discretion is not exercised, it is clear that the consequence of the failure to deny the claims will be that the mark

is declared invalid. It is also apparent from the rule that the purpose of treating the proprietor as not opposing the application is to dispose of the undefended application.

18. I take Mr Edenborough's point that a considerable amount of evidence has been filed and that the facts underlying the applicant's claim will not be determined if the application is treated as undefended under an unwritten equivalent of rule 41(6). However, the courts have long held that they will not decide matters which are purely theoretical or academic.² The facts underlying the claim are now academic to the disposal of the application because Mr Wheeler has conceded that the trade mark should be invalidated. A decision on the merits, even if handled economically, would require not inconsiderable time on the part of the Registry and does not strike me as a proportionate use of tribunal resources. Additionally, the consequences of finding that a decision on the merits is required would represent a change in practice which would have a significant impact on the ability of the tribunal to provide economical, efficient and proportionate resolution to cases, which is not in my view justified in circumstances where the proprietor has clearly indicated that he no longer opposes the application. The procedure outlined at rule 41(6) points to the appropriateness of a default decision to dispose of an application for invalidation which is no longer opposed. There is no basis for the exercise of discretion in this case. With all of the above in mind, my decision is that the application should be treated as unopposed and that it is neither necessary nor appropriate for me to determine the facts underlying the claim.

Conclusion

19. My decision is that Mr Wheeler does not need the Registry's permission to withdraw his form TM8 and counterstatement and that, in the absence of a defence, the application for invalidation is treated as unopposed. The application should, therefore, succeed. Trade mark number 3146860 is invalid and the registration will be cancelled with effect from 28 January 2016.

² *R (on the application of Rushbridger) v Attorney-General* [2004] 1 AC 357 was cited to me. There is, however, plenty of authority to this effect.

Costs

20. The parties should file any written submissions they wish to make on costs within fourteen days of the date of this decision, upon receipt of which I will issue a supplementary decision on costs. The appeal period will not begin until that supplementary decision is issued.

Dated this 19th day of October 2020

**Heather Harrison
For the Registrar
The Comptroller-General**