

TRADE MARKS ACT 1994
IN THE MATTER OF REGISTRATION NO. 915286107
IN THE NAME OF CIRCINUS LTD
AND AN APPLICATION FOR A DECLARATION OF INVALIDITY NO. 503614
IN THE NAME OF MICROSOFT CORPORATION

DECISION

1. This is an appeal against the decision of the Registrar's Hearing Officer, Andrew Feldon, dated 9 May 2002, in which he allowed an application for invalidity brought by the Applicant, Microsoft Corporation.
2. The mark in issue is for the word PERCEPT in various goods in classes 9 and 12. The Proprietor is an English company, Circinus Ltd., whose director and sole shareholder is an individual called Mr Erich Auer.
3. The application was registered at EUIPO on 7 December 2016. Pursuant to the EU-UK Withdrawal Agreement, UK comparable mark 915286107 was created by the UK IPO on 2 January 2021. It is this comparable mark that is the subject of these proceedings.
4. The application for invalidity was brought under Section 3(6) of the Trade Marks Act 1994 on the basis that the Proprietor had acted in bad faith when applying to register the trade mark, as it had no intention to use the mark at issue. Instead, it is alleged that the mark was registered purely with the intention of engaging in conduct characterised as "abusive".
5. The Applicant is represented by CMS Cameron McKenna Nabarro Olswang LLP. The Proprietor is represented by Mr Auer.
6. Part of the Applicant's case is based on the allegation that a number of other courts across the EU have found Mr Auer's "business strategy" to be abusive.

Those courts include the Higher Regional Courts of Frankfurt, Dusseldorf, Cologne and Hamburg, the EUIPO's Cancellation Division and Board of Appeal, the General Court and the Court of Justice of the European Union.

7. Prior to the hearing of this appeal Mr Auer indicated that the Proprietor was content for the appeal to be determined on the papers. The Applicant agreed and this decision is rendered on that basis. I have considered all of the written materials provided to me, although, as I explain below, the vast majority of the material provided by the Proprietor in support of the appeal is irrelevant and/or inadmissible.

The Decision of the Hearing Officer

8. This dispute arises because the Applicant, Microsoft, has embarked on the use of the Mark PERCEPT in the UK. It seeks to cancel the Proprietor's mark in order to clear the way to its own use and the registration of its own marks.

9. The Proprietor referred in its evidence, cited by the Hearing Officer, to the assertion of the mark in Germany against a third party, Medtronic. As the Hearing Officer recorded in §§21-22:

21. Under Exhibits CG-22, CG-23 and CG-24 the Applicant provides evidence from the Regional Court of Dusseldorf in a decision from 2020 between Segimerus Ltd [the predecessor in title of the Proprietor] and Medtronic GmbH, in which Segimerus Ltd sought an injunction against Medtronic GmbH in the use of the mark PERCEPT. Ultimately, the court found that Segimerus Ltd had failed to evidence any use of the mark and dismissed the injunction application. It concluded that the application had been an abuse of rights based on the bad faith application for the underlying EU trade mark. The court also found that due to the business model of trade mark exploitation exercised by several of the companies managed by Mr Auer, all trade mark applications filed by him or at the instruction of one of the companies controlled by him, share the same lack of intention or commercial rationale.

22. The court concluded that Segimerus Ltd could not overcome the presumption that the mark had been filed in bad faith by arguing that it operated a trade mark agency, since it had not specifically shown that it actually developed the trade marks applied for, with a clear purpose to re-sell them to third parties, not least because despite having operated since 2001 as a 'professional trade mark agency' Segimerus Ltd had not sold or licensed any of the trade mark registrations it owned to a third party.

10. Having summarised the other evidence filed by the Applicant in relation to the Proprietor's intentions and the Applicant's response, and the law, the core of the Hearing Officer's decision can be found in paragraphs 54-58 of his decision, which it is convenient to set out in full:

54. I have carefully considered all of the evidence and submissions before me and, taking account of the relevant authorities, I conclude that the Applicant has established a prima facie case that is quite compelling. The Applicant has shown in evidence that the Proprietor has demonstrated a particular pattern of behaviour and that because of this pattern of behaviour, an inference should be drawn that there is no legitimate intention to use the contested mark. The Applicant has raised a rebuttable presumption which Mr Auer has not addressed sufficiently in my opinion. I have considered the evidence and submissions provided by Mr Auer on behalf of the Proprietor, and I am entirely unconvinced by it.

55. The evidence shows that there has been no use of the contested mark in either the UK or EU; that the Proprietor has demonstrated a pattern of behaviour inconsistent with the standards of acceptable commercial behaviour; and that the pattern of behaviour appears to show that the application has been filed in abuse of the legal system. Whilst there is no evidence that the Proprietor has sought to claim compensation from the Applicant, the evidence is sufficient that I am able to take an inference as to the legitimacy of his business activities. Mr Auer has not provided supporting and concrete evidence that he has a business providing any of the trade mark licensing activities, which he claims is the Proprietor's primary area of business, and it appears that the Proprietor offers no goods or services under the mark at issue. The same fact evidence and previous findings of the EUIPO and German national courts referred to by the Applicant is also compelling when deciding on the intention of the Proprietor.

56. I remind myself of the questions raised in the *Alexander Trade Mark* case: (a) What, in concrete terms, was the objective that the applicant has been accused of pursuing, (b) Was that an objective for the purposes of which the contested application could not be properly filed, and (c) Was it established that the contested application was filed in pursuit of that objective. I conclude, based on the evidence before me, and with no reasonable rebuttal from Mr Auer, that the objective of the Proprietor in filing the contested application has been established by the Applicant to be 'engaging in the activities of a trade mark troll, being "*an individual [or corporation] who abuses the trade mark system by filing oppositions and revocation actions without legitimate commercial grounds for doing so, and for the collateral purpose of extracting revenue from trade mark applicants and proprietors*". This is clearly an objective for which the application should not have been filed and which amounts to bad faith on the part of the Proprietor. Finally, has it been established that the contested application

was filed for these purposes? I believe that the evidence of the Applicant has established that this was indeed the reason behind the filing of the contested application.

57. I also remind myself of the findings in *Sky CJEU*, namely: “Applying to register a trade mark without an intention to use it is not bad faith per se. However, where the trade mark application is filed without an intention to use it in relation to the specified goods and services, and there is no rationale for the application under trade mark law, it may constitute bad faith. Such bad faith may be established where there are objective, relevant and consistent indications showing that the applicant had the intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark. This may be the case where the exclusive right was sought as part of a strategy of using widely cast trade mark registrations as legal weapons for use against others in opposition proceedings and/or for the purposes of blocking applications by third parties”.
58. I find that the Proprietor has not adequately answered the Applicant’s prima facie case. The Proprietor has not provided a legitimate explanation, supported by evidence, that he had a bona fide intention to use the contested mark and that he was in fact providing a service to third parties. I find that the Proprietor has acted in a commercially unacceptable manner, and I can come to no other conclusion than that the contested mark was filed in bad faith, either to prevent others from using it or a similar mark, or with a view to obtaining financial compensation. In these circumstances I accept the Applicant’s case and reject the Proprietor’s denials.

This Appeal

11. The Proprietor’s Form TM55P Notice of Appeal focusses on the effect of the judgment of the CJEU in Case C-371/18 *Sky plc v Skykick*, and particularly §78, which reads as follows:
- 78 The bad faith of the trade mark applicant cannot, therefore, be presumed on the basis of the mere finding that, at the time of filing his or her application, that applicant had no economic activity corresponding to the goods and services referred to in that application.
12. It was also said in the TM55 that:
- A trade mark developer/creator like Mr. Erich Auer, who is also the creator of the important, imminent advertising & investment function of the trademark, therefore never acts in bad faith when he provides his intellectual creation, especially the

advertising function & investment function, with the necessary trademark protection and thus obtains a trademark.

...

- This finding of the ECJ [in *Skykick*] is also to be welcomed, since a trademark does not have to be used by the applicant himself, but the use can be made (and is often made) by a third party (e.g. licensee or - by way of transfer - the acquirer of the trademark), which also occurs very often in modern business life.

- It should be noted that judgements of the ECJ - as a rule or in the absence of a provision to the contrary – also apply to the past. The judgment of the CFI, T-82/14 - LUCEO, is null and void as it is based on errors of law and fact and infringement of the right to be heard and has been substantively "set aside" by the judgment of the ECJ.

13. The LUCEO judgment referred to is one in which the General Court had found that Copernicus, a company controlled and represented by Mr Auer, had acted in bad faith in seeking to register the LUCEO mark. It characterised the filing strategy practiced by Mr Auer and his companies as incompatible with Regulation 207/2009 and “not unlike the cases of “abuse of law”” (§52).
14. Attached to the Proprietor’s TM55 notice of appeal were 1221 continuation sheets.
15. These included some further submissions and reference to Case R0010/2019-4 CELERITAS, where EUIPO’s Fourth Board of Appeal refused to cancel another of Mr Auer’s company marks for bad faith. In doing so, they referred to the LUCEO decision and pointed out that just because one mark of the proprietor had been found to have been filed in bad faith does not mean that all other trade marks filed by him should be seen to be the same. The Board found that the factors required to establish bad faith were not present in that case.
16. The Proprietor’s TM55 submissions include the following assertions about the activities of the Applicant:

17. I have taken into account all the additional submissions filed on behalf of the Proprietor. I have no doubt that given the number of proceedings in which they have collectively been involved. Mr Auer and the companies he controls are sophisticated litigants.
18. In addition to the submissions were three exhibits. The main exhibit was a 600 page thesis written by Mr Auer entitled "*Trademark theft of atypical brand piracy & new forms of white-collar crime*" provided in German and in English translation. There were also documents confirming the status of Mr Auer as a trader in the business of the exploitation of trade marks and a co-existence agreement with the European Union resulting from litigation arising from the use of the KOPERNIKUS trade mark in which Mr Auer's qualification as a trade mark attorney was noted.
19. There are well established principles applying the admission of evidence on appeal in trade mark matters. They were conveniently summarised by Mr Justice Henry Carr in the Tin Pan Alley case, *Consolidated Developments v Cooper* [2018] EWHC 1727 (Ch). He explained as follows at §§25-26:
 25. In *Hunt-Wesson Inc.'s Trade Mark Application* [1996] R.P.C 234 Laddie J considered that a trade mark opposition was different from private litigation between two parties. An opposition might determine whether a new statutory monopoly affecting all traders in the country was to be created and a refusal to admit further evidence affected not only the opponent, but might penalise the rest of the trade. He held the proper course was to look at all the factors, including those set out in *Ladd v Marshall*, to determine whether or not on the particular facts the further evidence should be admitted.
 26. He considered that the following factors were relevant to the exercise of the Court's discretion:
 - i) whether the evidence could have been filed earlier and, if so, how much earlier;
 - ii) if it could have been, what explanation for the late filing had been offered to explain the delay;
 - iii) the nature of the mark;
 - iv) the nature of the objections to it;
 - v) the potential significance of the new evidence;
 - vi) whether or not the other side would be significantly prejudiced by the admission of the evidence in a way which could not be compensated, e.g. by an order for costs;
 - vii) the desirability of avoiding multiplicity of proceedings; and

viii) the public interest in not admitting onto the register invalid marks.

20. Applying these factors, I place no reliance on the voluminous exhibits filed by the Proprietor. There appears to be no reason why they could not have been adduced before the Hearing Officer and no explanation has been given for their late filing. More importantly, they appear to be completely irrelevant to the issues before the Hearing Officer and before me. Mr Auer's qualifications and trade are not in dispute. What is relevant is the law on bad faith and the Hearing Officer's findings as to this. These are dealt with in the submissions to the Hearing Officer and the TM55 submissions to me, and Mr Auer's thesis does not shed light on what the law is (as opposed to what it might be).

Assessment

21. The pre-*Skykick* law on bad faith in the CJEU was summarised by Sir Christopher Floyd in *Sky v Skykick* when it reached the Court of Appeal [2021] EWCA Civ 1121 at §67:

1. The allegation that a trade mark has been applied for in bad faith is one of the absolute grounds for invalidity of an EU trade mark which can be relied on before the EUIPO or by means of a counterclaim in infringement proceedings : Lindt at [34].
2. Bad faith is an autonomous concept of EU trade mark law which must be given a uniform interpretation in the EU: Malaysia Dairy Industries at [29].
3. The concept of bad faith presupposes the existence of a dishonest state of mind or intention, but dishonesty is to be understood in the context of trade mark law, i.e. the course of trade and having regard to the objectives of the law namely the establishment and functioning of the internal market, contributing to the system of undistorted competition in the Union, in which each undertaking must, in order to attract and retain customers by the quality of its goods or services, be able to have registered as trade marks signs which enable the consumer, without any possibility of confusion, to distinguish those goods or services from others which have a different origin: Lindt at [45]; Koton Mağazacılık at [45].
4. The concept of bad faith, so understood, relates to a subjective motivation on the part of the trade mark applicant, namely a dishonest intention or other sinister motive. It involves conduct which departs from accepted standards of ethical behaviour or honest commercial and business practices: Hasbro at [41].
5. The date for assessment of bad faith is the time of filing the application: Lindt at [35].
6. It is for the party alleging bad faith to prove it: good faith is presumed until the contrary is proved: Pelikan at [21] and [40].

7. Where the court or tribunal finds that the objective circumstances of a particular case raise a rebuttable presumption of lack of good faith, it is for the applicant to provide a plausible explanation of the objectives and commercial logic pursued by the application: *Hasbro* at [42].
 8. Whether the applicant was acting in bad faith must be the subject of an overall assessment, taking into account all the factors relevant to the particular case: *Lindt* at [37].
 9. For that purpose it is necessary to examine the applicant's intention at the time the mark was filed, which is a subjective factor which must be determined by reference to the objective circumstances of the particular case: *Lindt* at [41] – [42].
 10. Even where there exist objective indicia pointing towards bad faith, however, it cannot be excluded that the applicant's objective was in pursuit of a legitimate objective, such as excluding copyists: *Lindt* at [49].
 11. Bad faith can be established even in cases where no third party is specifically targeted, if the applicant's intention was to obtain the mark for purposes other than those falling within the functions of a trade mark: *Koton Mağazacılık* at [46].
 12. It is relevant to consider the extent of the reputation enjoyed by the sign at the time when the application was filed: the extent of that reputation may justify the applicant's interest in seeking wider legal protection for its sign: *Lindt* at [51] to [52].
 13. Bad faith cannot be established solely on the basis of the size of the list of goods and services in the application for registration: *Psytech* at [88], *Pelikan* at [54].
22. The Proprietor has focussed its appeal on §78 of the CJEU decision in *Skykick*. But this paragraph must be read in context. §§76-77 explained as follows (emphasis added):
76. Admittedly, the applicant for a trade mark is not required to indicate or even to know precisely, on the date on which his or her application for registration of a mark is filed or of the examination of that application, the use he or she will make of the mark applied for and he or she has a period of 5 years for beginning actual use consistent with the essential function of that trade mark (see, to that effect, judgment of 12 September 2019, *AS v Deutsches Patent- und Markenamt* (#darferdas?), C-541/18, EU:C:2019:725, [2019] ETMR 59, [22]).
 77. However, as the Advocate General observed in point 109 of his opinion, the registration of a trade mark by an applicant **without any intention to use it in relation to the goods and services covered by that registration may constitute bad faith, where there is no rationale for the application for registration in the light of the aims referred to in Regulation No 40/94 and First Directive 89/104. Such bad faith may, however, be established only if there is objective, relevant and consistent indicia tending to show that, when the application for a trade mark was filed, the trade mark applicant had the**

intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark.

23. So whilst it is right that bad faith cannot be **presumed** on the basis merely of an absence of relevant economic activity at the time of filing (§78), it can still be found in circumstances where there is no intention to use the mark. What is required is objective, relevant and consistent indicia tending to show that the trade mark applicant had the intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark (§77).

24. Consistent with this, the Court went on to rule as follows:

“...a trade mark application made without any intention to use the trade mark in relation to the goods and services covered by the registration constitutes bad faith, within the meaning of those provisions, if the applicant for registration of that mark had the intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark.”

25. As explained by Sir Christopher Floyd at §§70 and 71, “*lack of intention to use is accordingly a factor which may be relevant to bad faith where there is no rationale for the application in accordance with the aims of the Regulation, and there are objective, consistent and relevant indicia of bad faith as defined in [77].*” So it is not enough simply for there to be no intention to use; the additional factors in [77] must also be present.

26. Turning to the Decision of the Hearing Officer, I am satisfied that he applied the correct legal test, as required by the authorities I have referred to. He did not merely ask himself whether the application was made with no intention of use, but whether there were “*objective, consistent and relevant indicia of bad faith*”.

27. Further he sought to investigate on the evidence before him whether the Applicant had made out a case that the Proprietor had, at the date of application, the intention of "*undermining, in a manner inconsistent with honest practices, the interests of third parties*", or "*obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark*". He then considered whether the Proprietor had been able to rebut the case made against it.
28. The Hearing Officer concluded, on the basis of all the evidence before him, that the Proprietor had not demonstrated that "*he had a bona fide intention to use the contested mark and that he was in fact providing a service to third parties*". Further, he found that the Proprietor had "*acted in a commercially unacceptable manner*" and that the mark "*was filed in bad faith, either to prevent others from using it or a similar mark, or with a view to obtaining financial compensation*".
29. I consider that the Hearing Officer, applying the correct legal test, was perfectly entitled to reach the conclusion he did on the evidence before him. Indeed, the submissions of the Proprietor that I have quoted above in the TM55 are consistent with the findings of the Hearing Officer on abuse.
30. Although I accept the contention explained in CELERITAS that a finding of bad faith in relation to one mark of a proprietor does not necessarily mean that all other trade marks filed by him should also be assumed to be so filed, this was not the basis of the Decision of the Hearing Officer in the present case. The findings of the Hearing Officer in the present case were focussed on the Proprietor's specific intentions and actions in relation to the PERCEPT mark and its European equivalents. In addition to this, on the evidence before him I consider that the Hearing Officer was entitled to place weight on the repeated and consistent similar conduct which has been characterised as abusive (and the findings of other tribunals in relation to such conduct) of the guiding force behind the Proprietor, Mr Auer.
31. For all these reasons I consider the Hearing Officer was correct to conclude that the mark in issue had been filed in bad faith.

Costs

32. The Hearing Officer ordered the Proprietor to pay to the Applicant £2400 for the first instance proceedings. In addition, I award the Applicant £650 on appeal to represent the costs to the Applicant of having to consider the Proprietor's voluminous TM55 exhibits.
33. The Proprietor is therefore ordered to pay to the Applicant £3050 by 13 October 2022.

Thomas Mitcheson KC
The Appointed Person
14 September 2022